

CITY OF MANCHESTER NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2002

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INTRODUCTORY SECTION

**City of Manchester
Department of Finance**

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October 1, 2002

To the Honorable Board of Mayor and Aldermen and
Citizens of the City of Manchester, New Hampshire

The Comprehensive Annual Financial Report (the "CAFR") for the City of Manchester (the "City") for the fiscal year ended June 30, 2002 is hereby submitted. The City's Finance Department prepared this CAFR. The purpose of this report is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of the operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section, and the statistical section. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of City officials. The financial section includes the independent auditor's report; management's discussion and analysis; the basic financial statements; notes to financial statements; and the combining and individual financial statements and schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal years.

The City's basic financial statements include all entities for which the City is financially accountable, and other organizations of the City for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board ("GASB") Statement 14 has set forth criteria to be considered in determining financial accountability. This criteria includes whether the City, as the primary government, has appointed a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

The City has three component units - Manchester School District, Manchester Development Corporation, and the Manchester Transit Authority. Using the criteria of

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GASB Statement 14, management determined that the Manchester Development Corporation, the Manchester School District, and the Manchester Transit Authority should be discretely presented.

The City is required to have an annual audit performed in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States of America and in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The federal single audit for the year ended June 30, 2002, will be issued under separate cover. All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's report on compliance and on the internal control over financial reporting based on an audit of the basic financial statements, will be included therein.

General Description - The City is located on the Merrimack River in south central New Hampshire, approximately 58 miles north of Boston, Massachusetts. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. The City has a population of 107,006, according to the 2000 Population Census, and occupies a land area of 33.9 square miles.

First settled in the early eighteenth century by John Goffe, the land, which is now the City, was the disputed territory of Massachusetts and New Hampshire. This land became part of New Hampshire when New Hampshire became a separate province in 1741. In 1751 the area was incorporated as a town and renamed Derryfield. Over the next century the town evolved from a grazing field into a developing manufacturing center with major cotton and wool milling industries. Samuel Blodgett, the visionary of this development, compared the town to the industrial center of Manchester, England; hence, in 1810, the name of the town was officially changed to Manchester. In 1846, Manchester was granted its city charter. Manchester was one of the first planned cities in the country. Its streets are laid out in a grid pattern and major streets run parallel to the Merrimack River. In recent years the City's economy has undergone a transition from one that was manufacturing-based (textile) to one that includes a diverse array of businesses and industries.

Description of Government - The City's current charter (the "Charter") was approved by the voters of the City at the November 5, 1996 general election. The Mayor has appointment powers and budget line-item veto authority. The Charter includes an ethics policy, a local initiative option, and calls for the formation of a Charter Review Committee every ten years.

The City is governed by an elected Mayor and a fourteen-member Board of Aldermen representing each of the City's twelve wards and two aldermen elected at-large. The Board of Aldermen approves the City's budget and also nominates and appoints the City's officers. The Finance Committee, consisting of the Board of Mayor and Aldermen ("BMA"), approves labor contracts and also adopts monetary appropriations.

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Financial Information - The City's accounting system is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts. The types of funds utilized by the City are as follows: general, special revenue, capital projects, enterprise, and trust and agency. The type and number of individual funds established is determined by generally accepted accounting principles ("GAAP") and sound financial administration. The general, special revenue, and capital projects are maintained on a modified accrual basis of accounting, generally with the revenues recorded when measurable and available and the expenditures recorded when the services or goods are received and liabilities are incurred. Accounting records for the City's enterprise, pension, and trust funds are on the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Internal Controls - Management of the City is responsible for establishing and maintaining a system of internal controls over financial reporting to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use; and (2) the reliability and accuracy of financial statements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived; and that the evaluation of cost and benefits requires estimates and judgment by management. The City believes that its internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As part of the City's single audit, tests were made of the government's internal controls over financial reporting and of its compliance with applicable laws and regulations, including those related to federal and state financial award programs. This testing was not sufficient to support an opinion on the government's internal control system or its compliance with laws and regulation. However, the audit for the year ended June 30, 2002 disclosed no material internal control weaknesses or material violations of laws and regulations.

Appropriation Process and Budget Control - The Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board of Aldermen. The Mayor's proposed budget must include certain historic and projected expenditure and revenue information and statements of anticipated tax levy and debt service requirements. The Mayor's proposed budget is referred to a public hearing.

After the public hearing the BMA may adopt the proposed budget with or without amendment. If amendments are made, a second public hearing may be held prior to final adoption. The Mayor may veto the entire budget or line items thereof. In the event of a veto all portions of the budget not vetoed shall be passed. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30th, the Mayor's budget as originally proposed shall prevail.

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The Charter also provides for supplemental appropriations, reductions of appropriations, and transfers of appropriations under certain limited circumstances.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the BMA. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the special revenue and capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year-end. Encumbered amounts at year-end are reported as reservations of fund balance.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices - Excess cash was invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the "State") Investment Pool. The maturities of the investments range from thirty days to six months, with the average maturity closer to the thirty-day range. This was certainly not due to a shortage of funds, but to the reality that the market was in an inverted yield curve position. Consequently, funds were invested for shorter durations to take advantage of the rate environment. The average yield on investments was 2.83%, which contributed to the \$1,132,648 that was realized as interest income in the general fund, which was considerably less than the anticipated revenue figure.

The City's Investment Policy conveys the concept that the preservation of capital and the liquidity requirements are the two primary factors considered in the structure of the portfolio. Whether instruments are marketed by banking institutions or pooled investment managers, they are subject to stringent requirements. Accordingly, 65% of the investments held at fiscal year-end were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements. This contributed to the classification of a low risk profile, which the City strives to maintain. Most accounts/securities were held and designated specifically in the name of the City, while the guarantor of the pooled investment arrangement is the nation's leading municipal bond insurer and a publicly traded, NYSE-listed company.

Risk Management - The City has a program of both self-insurance and policies for worker's compensation, health, and general liability. Under this arrangement a third party administrator manages the claims with the City Risk Manager.

The City has a pro-active Employee Safety Program with a Safety Officer and a Safety Committee meeting on a regular basis.

Liability, property, auto, and professional coverages are maintained with claims coordinated through the Risk Management office.

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Community Improvement Programs – As part of the City budget process, the City Finance Officer provides the Mayor and Aldermanic CIP committee with a five year debt affordability forecast as a basis for the Planning Department development of the Mayor's recommended CIP program / budget. The project initiatives are envisioned over the ensuing fiscal period in accordance with the affordability forecast.

GENERAL GOVERNMENT FUNCTIONS

General Fund

The City's position with respect to the School District FY 2000 operating deficit of \$3,182,373 and various administrative issues was upheld and formally incorporated into a court-adopted settlement. The Settlement Agreement (dated October 9, 2001) establishes a procedure for eliminating the School District FY 2000 deficit over the two-year period FY 2003-2004. The Agreement also reaffirms certain fundamental management premises insisted upon by the City including City ownership of school facilities; BMA appropriation authority; and BMA debt issuance and authority. The Agreement also encourages the sharing of administrative resources (legal, human resources, finance) which is consistent with a Charter amendment adopted by the electorate re-establishing the School District as a City department.

During fiscal year 2002, the Manchester School District was able to reduce its outstanding deficit by \$718,531. The FY 2002 fund deficit of \$2,081,077 will be reduced again in FY 2003 by a minimum of \$500,000 and eliminated in FY 2004 by a BMA appropriation in accordance with the aforementioned agreement.

General Fund Budget - The FY 2003 Budget was adopted on June 10, 2002. The budget increases School District spending by \$10,089,410 (8.7%) and municipal spending by \$1,163,463 (1.1%). The City's tax rate increased by \$1.86 (7.8%).

Biennial Budget - Chapter 54 of the Laws of 1998 (RSA 32:25-26 Biennial Budgets) was adopted by the New Hampshire Legislature in an effort to provide municipalities with more management flexibility. The statute allows for biennial budgets to be adopted for the periods immediately following a municipal election, thus providing that elected officials could only adopt biennial budgets covering their two-year term of service. The City Charter also allows for the adoption of biennial budgets. Therefore, pursuant to this legislation, the City initiated a trial biennial budget exercise as part of the FY 2003 and FY 2004 budget cycle. This allowed the City to directly experience a biennial budget preparation process to determine its practicality and usefulness as a strategic planning tool. An annual plan was adopted for FY 2003 allowing remedial action regarding preparation of a biennial budget to occur throughout FY 2004 in anticipation of a first biennial budget for FY 2005 and FY 2006.

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ECONOMIC DEVELOPMENT/MANAGEMENT INITIATIVES
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As the State's largest city and business center, Manchester boasts a diversified economic base. Both the State and the City are recognized nationally for their livability (#2 Healthiest State – 2001 United Healthcare Group; 2nd Safest State 2001 - Morgan Quinto; #2 in Child and Family Well-being - 2002 Kids Count Data Book; #4 State of Caring Index – United Way of America; #2 Highest Standard of Living 2000 Expansion Magazine; #5 Start Quality of Life Rating, measuring communities best suited for business expansion or relocation); #4 Most attentive City for manufacturers (Business Development Outlook, 1999).

Manchester has always been a city where business prospers. Once the site of the world's largest textile mill complex, the City today boasts an economy that is a diverse combination of manufacturing, service and retail firms. The history of Manchester is one of orderly growth, emphasizing the dual values of business prosperity and quality of life.

More than 200 diversified manufacturing firms call Manchester home. Nearly 70% of manufacturing jobs are in durable goods production, especially metal products, electrical products and machinery, and plastics.

Over 80% of the work force in the Manchester Metropolitan Statistical Area ("MSA") is employed in more than 2,000 non-manufacturing firms, and Manchester is the financial and commercial center of northern New England.

The Manchester MSA has over 8,000 commercial establishments, including more than 800 retail stores with annual sales of over \$2.4 billion (2001). Continuing expansion of financial and business services, supported by significant growth in population and personal income during the past decade, has contributed substantially to improvement of the area's economy.

The Manchester Metropolitan Statistical Area labor force numbers 112,490 while the unemployment rate is 4.6% (November 2002).

The City's financial and economic position is further supported by its strong credit rating from Moody's Investor Services (Aa2). The City began preparing for an economic slowdown in FY 1999. Through the use of conservative revenue forecasting and a dedication to disciplined spending, and aided by unusually mild winters, the City has been able to grow and sustain positive undesignated General Fund balances and a \$9,576,915 Revenue Stabilization Fund. During this period the City has also adopted several management initiatives to further strengthen the City's overall financial position. For example, the Board of Mayor and Aldermen have recently adopted the following management initiatives:

1. Special Revenue Reserve Account establishing an account comprised of all non-recurring revenues designed to offset costs associated with capital

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purchases. This initiative prevents the use of so-called “one time revenues” being used to cover operating expenses and thereby reduces the likelihood of “tax-rate shock” in future economic downturns.

2. Risk Retention Reserve Accounts. This initiative requires that any balances at year end in any particular insurance reserve, in excess of actuarially required amounts, first be applied to the City’s other insurance reserves, to insure that all of the City’s self insured funds (Workers Compensation, Casualty and General Liability, Health Claims) are fully reserved before excesses are applied to undesignated fund balance.
3. Tax Rate Stabilization Reserve Account. In addition to the City’s Revenue Stabilization Account (Rainy Day Fund), this initiative introduces a disciplined approach to the application of undesignated fund balances to tax rate reduction. Thereby, reducing the amount of fund balance applied during periods of economic growth to ensure balanced rates in difficult periods.

Needless to say, these three initiatives individually require additional attention to spending patterns in periods of economic growth and force elected officials to examine the long term implications of revenue/spending policies.

The City has moved to strengthen its financial position by making difficult interim management decisions. In FY 2002 the City experienced an unexpected crisis in the Welfare Department budget requiring the BMA to transfer funds from other General Fund departments to make up an anticipated \$1,000,000 shortfall. Early in FY 2003 the BMA again chose to reduce departments spending to avoid a double digit tax rate increase due to an unanticipated dip in assessed valuation attributable to timing of abatements from the previous year’s revaluation. In each circumstance the BMA chose to reduce spending and achieve lower than expected tax rates resulting, in part, to annual property tax collection rates in excess of 98%.

The City’s preparation of the FY 2004 budget will also be challenging due to the sustained 1970’s type economy. Again, conservative revenue assumptions will be prudently applied. The City’s FY 2003 tax rate increase was 7.8%. This trend is expected to continue through FY 2005 when several factors should converge to reduce rates going forward.

1. FY Conversion – In Fiscal Year 2005, the City’s annual debt service commitments attributable to the Fiscal Year Conversion will be completed. This \$6,000,000 annual commitment is therefore available for other uses or tax reduction. It is recommended that this capacity be dedicated by the City to capital reserves for future equipment purchases such as fleets, and computers. The School District’s share of the reduction (approximately one half) will be used in-part to fund an aggressive capital renovation and expansion program. The conclusion of the Fiscal Year Conversion will result in capacity to directly address these long standing problematic budget items.

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2. Revaluation - The City will, in accordance with newly adopted state laws and regulations, be conducting a citywide property revaluation in FY 2004. It is expected that the City will from that point forward, through its Assessor's Office, develop the necessary systems/staff to proceed with annual updates. This will help the City to enter into yearly assessment cycles to recapture value in its tax base.
3. Economic Stimulus – see the following projects;
 - Riverfront Development Project – In November 2002, the Board of Mayor and Aldermen approved a Memorandum of Understanding (MOU) with a development team to undertake a major project along the City's riverfront. The project includes construction of a new baseball stadium (\$27,500,000) to meet Major League Baseball's AA Standards. Also included in the project are major renovations to the City's existing Gill Stadium as an interim home for a minor league baseball team until the new stadium is complete. The site of the new stadium is the current home of Singer Family Park soccer and rugby field, which will be relocated within the City as part of the project. A prerequisite for the City's undertaking the stadium construction is that the development team must complete a combination of other elements of the development plan, including a hotel, "peak" power plant, retail and residential development. City Assessors must certify that an equivalent of \$40,000,000 in new assessed valuation from these elements is assurable to offset against the projected debt service costs associated with stadium construction, thereby ensuring that the City's existing tax base is not used for the project. The total projected development package is in excess of \$100,000,000 and is scheduled for initial action in the Spring/Summer of 2003.

In addition to the elements mentioned, the City has also been informed of the award of approximately \$14 million for the Granite Street Bridge. This widening/reconstruction project immediately adjacent to the Riverfront Project will serve as a gateway to the City's main street and the Verizon Wireless Arena. This project is necessary to coordinate with the State's "10 year plan" to significantly upgrade the turnpike/interstate system around Manchester. This infusion of state and federal highway funds over the next several years will further help solidify the local economy in a generally weakened national/regional economic period.

- School Projects – The City of Manchester school system physically comprises twenty-two (22) school buildings that range in age from five to one hundred plus years old. Fifteen (15) preschool and elementary schools, four (4) junior high schools and three (3) senior high schools. The City also operates the Manchester School of Technology (MST), a vocational skill center offering alternative educational opportunities to high school age students. In addition to the basic curriculum, the Manchester School District provides special education services for learning disabled, mentally retarded and emotionally disturbed children, programs for the deaf, and an English as a Second Language program.

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Enrollment figures for the current school year total 17,435. These include students from the four (4) neighboring towns of Hooksett, Auburn, Candia and Bedford. Enrollments are expected to increase by 1.3 percent annually.

Although the City prides itself in the maintenance and upkeep of the school infrastructure, time places demands on these buildings that only an extensive and costly comprehensive repair, alteration and additions program can properly address. In FY 2001, the City initiated an effort to address an anticipated increased student population and outdated systems.

In Fiscal Year 2001, the City commissioned Parsons Brinkerhoff Construction Services, Inc. ("PB") an engineering firm located in Boston, Massachusetts, to undertake an extensive survey to examine the condition of the City's school facilities. PB was commissioned to identify facility deficiencies, identify necessary facility additions and develop various options of courses of action for the City to consider, and provide an estimate of costs associated with each option. PB issued the report in December 2000.

The PB report has been used as a guide to preparing a comprehensive program of renovating the City's school facilities. In this regard PB was re-engaged to help define a specific design/build/finance procurement program for the City's schools. The intent of the project is to provide renovation to all existing schools. Renovations will include, but not be limited to, HVAC, electrical systems, floors, roofs, fire alarms, sprinklers, and both interior and exterior general maintenance. The project addresses capacity related deficiencies through additions to existing facilities. Additions are being considered for two middle schools and three senior high schools.

In accordance with authority granted by an ordinance enacted on February 12, 2002, the City is in the process of issuing a Request for Proposals ("RFP") for a single contractor team to finance, design and construct additions to three high schools and two middle schools, and other major capital improvements to all twenty-two public schools (the "Program"). The purpose of the ordinance is to authorize the City to conduct a comprehensive procurement to secure a single team to develop the Program on its behalf. Unlike traditional public contracting where design and construction performed by separate entities and selections is based on low bid, design-build allocates all responsibility to a single team and the selection of that team is based on an expanded set of factors that take into account qualitative evaluations of a range of factors, including price, schedule, quality of design and construction, and financing strategies.

In addition, the RFP is being issued in two phases, as follows: Phase 1 seeks proposals for additions and improvements to three high schools; Phase 2 seeks proposals for the balance of the Program. RFP1 was issued on September 23, 2002; RFP2 will be issued on or about December 15, 2002. Responses to RFP1 are to be submitted on December 6, 2002; responses to RFP2 will be submitted approximately 100 days after it is issued. The City's evaluation and selection process will not take place until after the Phase 2 proposals are submitted. At that time, it will conduct a thorough analysis of each proposal

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and intends to award a contract to the proposer whose proposal offers the best combination of price and technical merit.

At the current time, the City is negotiating with two superior construction firms acting as lead developers for their respective teams. Gilbane Construction and Kohl Partners are putting the finishing touches on their proposals in an expedited process that is expected to be completed in April 2003. Furthermore, based on preliminary submissions it is anticipated that related construction will be “fast tracked” and completed within three years.

Based on preliminary estimates, it is anticipated that the cost of the Project will be evenly allocated between new construction and renovation. In this regard neighboring towns will be voting on long term tuition agreements at town meetings in March 2003.

The City’s proposed design/build program, while directly addressing educational needs, will also send a strong economic development message. The City’s multi-year multi-million dollar commitment to its schools is an important economic development investment in the City’s future workforce. While other cities are establishing a moratorium due to the current economic slowdown, the City of Manchester will, as a result of its long term financial planning, be creating jobs and significant economic activity. Given the “fast-track” nature of the project, capital spending should provide significant continued stabilization to the Manchester economy. It is the City’s belief that timely investments in its schools constitutes good economic policy.

During FY 2003/2004 the City will eliminate the FY 2000 School District operating deficit in accordance with its agreed upon plan and schedules. Elimination of the deficit and adherence to approved upon administrative/audit procedures will also provide for a more stable school district operating budget in the future.

- MWW – The Manchester Water Works (“MWW”), the largest water utility in the State of New Hampshire, is responsible for providing drinking water and fire protection to the City of Manchester (the “City”) and portions of Auburn, Bedford, Derry, Goffstown, Hooksett and Londonderry. MWW now maintains more than 472 miles of water mains, which distributes an average of 17.4 million gallons of water every day to 29,523 domestic services and 1,266 fire services to its service areas. MWW is a municipally owned water works system, which supplies water for public and private purposes to an estimated population of 140,000 in the greater Manchester region. As an enterprise fund of the City, all revenues derived from the sale of water remains within the department. A seven-member Board of Water Commissioners governs the operations of the Utility pursuant to the authority granted to the City by an Act of the New Hampshire Legislature in 1871 and is responsible for establishing in-town water rates. At present, MWW provides residential, commercial, industrial and wholesale water services and fire protection services to portions of six surrounding communities. Currently, water services provided to the outlying communities, representing approximately 18% of total water services revenue, is subject to Public Utilities Regulation. Under a recently amended NH State Statute, RSA:362-4, Manchester Water Works has petitioned the NH Public Utilities Commission for an exemption from regulation. A decision from the NHPUC is

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anticipated by March 2003. MWW is preparing for a \$43,500,000 General Water Works Revenue Bond issuance of which the proceeds of the bonds will be used to finance MWW's rehabilitation of its Lake Massebesic Water Treatment facility. This will be the first Revenue Bond offering of the Manchester Water Works.

The combination of these new economic projects along with the City's successful investment in the Manchester Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City's economy for the next decade.

It has been reported that state governments today are in the worst fiscal condition since World War II. According to the Federal Reserve Bank of Boston, the New England States are no exception to this situation. All are experiencing deficits in FY 2002. However, while the nation and New England are experiencing deficits and significant actual year-over-year revenue declines, revenues in New Hampshire are increasing. Although not increasing to projections, they are increasing none the less. Manchester's economy enjoys the benefits of the state's low tax and spending philosophy.

While the City has taken actions to stimulate the local economy, it should be recognized that the overall New Hampshire economy is still faring better in this period of economic uncertainty than any of its neighboring New England states. New Hampshire's current growth outpaces both national and New England averages. The New England Economic Project is forecasting that New England's gross productivity will jump 17.9% compared to 11.3% regionally and 16.5% nationally by 2006.

While the City's current economy appears resilient with property tax collections remaining strong (98.84%), the Board of Mayor and Aldermen have adopted the above mentioned policies and capital initiatives to further strengthen the City's financial condition and the local economy during this anticipated sustained period of economic slowdown. These projects are aimed not only at providing jobs, but also more importantly, at enhancing local education and quality of life.

BOND ISSUES AND CREDIT RATING DURING PERIOD
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During November 2001 the City took advantage of an improved interest rate environment to issue \$23,415,000 public improvement bonds; \$16,565,000 refunding bond and \$20,810,000 pension obligation bonds.

The general debt limit of the City is 9.75% of base valuation, a total capacity of \$580,322,643; not more than 7% of which may be incurred for School purposes. Water and Sewer projects ordered by the State Water Supply and Pollution control commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are also sometimes excluded from a city or town's statutory debt limit.

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As of June 30, 2002 the City has a total outstanding General Obligation debt of \$135,787,560 and authorized and unissued debt of \$59,082,099 for compliance with various improvements, infrastructure improvements, and economic development projects.

INDEPENDENT AUDIT

State statutes and the City Charter require an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was also designed to meet the requirements of the federal Single Audit Act and related OMB Circular A-133. The financial records, books of accounts, and transactions of the City for the fiscal year ended June 30, 2002 have been audited by McGladrey & Pullen, LLP. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

ACKNOWLEDGEMENTS

I would like to thank all of the City's department heads, payroll and account clerks for completion of another successful year. I would especially like to thank the staff of the Finance Department for their dedication and attention to detail.

Respectfully submitted,
Kevin A. Clougherty
Kevin A. Clougherty
Finance Officer

The organizational chart for the City of Madison, Wisconsin, is structured as follows:

- Mayor** (Elected by Citizens)
 - Board of School Committee** (Elected by Citizens)
 - School District
 - Board of Aldermen** (Elected by Citizens)
 - Welfare Commissioner** (Elected by Citizens)
 - Welfare Department
 - City Officers** (Nominated and Appointed by Board of Aldermen)
 - City Clerk
 - Office of the City Clerk
 - Finance Officer
 - Finance Department
 - City Assessors
 - Office of Assessors
 - Libraries
 - Library Trust Funds
 - Library Trustees** (Nominated and Appointed by Board of Aldermen)
 - Libraries
 - Library Trust Funds
- Special Service Boards and Commissions** (Nominated by the Mayor and Confirmed by the Board of Aldermen)
 - Board of Recount
 - Art Commission
 - Heritage Commission
 - Planning Board
 - Planning Director
 - Planning Department
 - Community Improvement Program
 - Water Commission
 - Water Director
 - Department of Water
 - Conservation Commission
 - Zoning Board of Adjustment
 - Manchester Development Corporation
 - MDC Inc.
 - Board of Registrars
 - Trustees of Trust Funds
- Departments** (Nominated by the Mayor and Confirmed by the Board of Aldermen)
 - City Solicitor
 - Office of the City Solicitor
 - Risk Management
 - Safety Review Board
 - Chief Negotiator/Contract Administration
 - Personnel Appeals Board
 - Director of Human Resources
 - Department of Human Resources
 - Systems Advisory Committee
 - Tax Collector
 - Department of Tax Collection
 - Fire Chief
 - Department of Fire Prevention
 - Fire Commission
 - Police Chief
 - Department of Police Protection
 - Police Commission
 - Director of Youth Services
 - Office of Youth Services
 - Elderly Services Commission
 - Director of Elderly Services
 - Department of Elderly Services
 - Elderly Services Commission
 - Health Officer
 - Department of Health
 - Board of Health
 - Director of Traffic
 - Department of Traffic
 - Building Board of Appeals
 - Airport Authority
 - Superintendent of Parks, Recreation & Cemeteries
 - Department of Parks, Recreation & Cemeteries
 - Parks & Recreation Commission
 - Building Commissioner
 - Department of Building
 - Building Board of Appeals
 - Airport Authority
 - Airport Director
 - Department of Aviation
 - Highway Commission
 - Economic Development Director
 - Economic Development Office
 - Highway Commission
 - Director of Public Works
 - Department of Highway
 - Highway Commission
 - Environmental Protection Division

**List of Principal Officials
in office at the close of fiscal year ended June 30, 2002**

Mayor

Robert A. Baines

Aldermen

Ward 1	David M. Wihby	Ward 7	William P. Shea
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Frank C. Guinta	Ward 9	Michael D. Garrity
Ward 4	Mary A. Sysyn	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Real R. Pinard	Ward 12	Armand D. Forest
At-large	Michael J. Lopez	At-large	Daniel P. O'Neil *

* Chairman of the Board

City Departments

Finance Officer	Kevin A. Clougherty
Deputy Finance Officer	Randy M. Sherman, CPA
Second Deputy Finance Officer, Treasury Manager	Joanne L. Shaffer, CCM
City Clerk	Leo R. Bernier
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	Mark L. Driscoll
Fire Chief	Joseph P. Kane
Public Health Director	Frederick Rusczyk, M.P.H.
Director of Public Works	Frank C. Thomas, P.E.
Director of Parks, Recreation & Cemetery	Ronald E. Ludwig
Director of Economic Development	Jay E. Taylor
Building Commissioner	Leon LaFreniere
Director of Traffic	Thomas P. Lolicata
Airport Director	Kevin A. Dillon
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Diane Prew
Director of City Library	John Anthony Brisbin
Director of Planning Board	Robert S. Mackenzie
Superintendent of Schools	Normand Tanguay
Director of Human Resources	Virginia A. Lamberton
Director of Elderly Services	Barbara A. Vigneault
Acting Director of Youth Services	Laurel Buccino
Chairman Board of Assessors	Steven G. Tellier
Collector of Taxes	Joan A. Porter

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Mayor and Aldermen
City of Manchester, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the City of Manchester, New Hampshire ("the City") as of and for the year ended June 30, 2002 which collectively comprises the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Manchester School District or the Manchester Transit Authority, component units of the City, which financial statements reflect 99.5% of the revenues and 12% of the assets of the discretely presented component units. We also did not audit the City of Manchester Employees' Contributory Retirement System, a pension trust fund and a blended component unit of the City, which represents 81% of the assets and 11% of the additions of the pension trust fund. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinion.

As described in Note 9 to the basic financial statements, the City accounted for the receipt of title to the Manchester Civic Center as a non-exchange transaction. We were not able to obtain sufficient evidence to satisfy ourselves as to the propriety of this accounting treatment of the carrying value of net assets.

In our opinion, except for the effect, if any, of the reporting of the receipt of title to the Manchester Civic Center as a non-exchange transaction on governmental activities, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the basic financial statements, the City adopted a number of new governmental accounting and reporting pronouncements as of July 1, 2001.

The management discussion and analysis on pages 17 through 30 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards," we have also issued our report dated October 26, 2002 on our consideration of the City of Manchester, New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
October 26, 2002

City of Manchester, New Hampshire
Management's Discussion and Analysis
June 30, 2002

As management of the City of Manchester, New Hampshire (the "City") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal, as well as the City's basic financial statements that follow this section.

Financial Highlights

- ◆ On a government-wide basis, the assets of the City exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$345.6 million. Total net assets for Governmental Activities at fiscal year-end was \$63.5 million and total net assets for Business-Type Activities were \$282.1 million. The unrestricted net assets at June 30, 2002 were \$25.3 million or 7.3% of the City's total net assets.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$95.1 million or 38%, from \$250.5 million to \$345.6 million. Net assets increased by \$65.9 million for Governmental Activities and net assets increased by \$29.2 million for Business-Type Activities. Government-wide expenses were \$166.8 million, while revenues were \$262 million.
- ◆ At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$43.4 million, an increase of \$6.7 million from the prior fiscal year. Of the total fund balance as of June 30, 2002, \$9.65 million is available for spending at the government's discretion and represents the combined unreserved fund balance in the general fund, special revenue funds, capital projects fund and permanent funds.
- ◆ At the end of the current fiscal year, the total fund balance for the general fund alone was \$21.8 million, a increase of \$2.1 million from the prior fiscal year. Included in the fiscal year 2002 budget was an appropriation of \$1.5 million of unreserved fund balance. As of June 30, 2002, \$4.68 million of the total general fund fund balance represents unreserved general fund balance. Unreserved general fund fund balance at year-end represents 3.9% of total general fund expenditures and transfers out (\$118.5 million).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information as well as the basic financial statements.

It is important to note that the City implemented the new reporting requirements outlined in GASB 34 effective July 1, 2001. The financial statements, therefore, contained within this report as of June 30, 2002, are the City's first report using the new reporting model. In addition, the City is among one of the first municipalities in the State of New Hampshire required to report under the new model for the fiscal year ended June 30, 2002. As allowed under GASB 34, the City elected not to present all required comparative data for this year of implementation. Therefore, many prior year comparisons of the City and comparisons with other similar municipalities are not available to aid the reader in comparative analysis. The report for fiscal year ending June 30, 2003, will contain more comparative information both with similar governments and with the City itself.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets (deficits). Over time, increases or decreases in net assets (deficits) may serve as an indicator of whether the financial position of the City is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The statement of activities presents information showing how the government's net assets (deficits) changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City of Manchester that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

- ◆ Governmental activities of the City encompass most of the City's basic services and include governmental and community services, administration, public safety, health and sanitation, highways and streets, welfare, and education and library as well as cemetery, and parks and recreation. Property taxes, charges for services and state and federal grants finance most of these activities.
- ◆ Business-type activities of the City consist of the Water Works, Environmental Protection Division, Aviation, Recreation and the Aggregation Program. They are reported here, as the City charges a user fee to customers to help cover all or most of the cost of operations.

- ◆ The government-wide financial statements include not only the City itself, but also three legally separate component units, the Manchester School District, the Manchester Transit Authority and the Manchester Development Corporation.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 32-35 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three kinds of funds:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Non-major governmental funds for the City include the HUD Section 108 Fund, Cash Special Projects Fund, Community Development Block Grant Fund, Other Grants Fund, Civic Center Fund, and the Revolving Loan Fund. Permanent Funds consist of the Cemetery Fund and the Library Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 94-95 and in the combining statement of revenues, expenditures and changes in fund balance on pages 96-97.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures and changes in fund balance on a budgetary basis can be found on page 39.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 36-37 of this report.

Proprietary funds. The City of Manchester maintains five proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Manchester uses enterprise funds to account for its Water Works, Environmental Protection Division, Aviation, Recreation and the Aggregation Program Funds. The proprietary fund financial statements provide separate information for the Water Works, Environmental Protection Division and Aviation, which are considered to be major funds of the City of Manchester. Conversely, both of the remaining funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Recreation Fund and the Aggregation Program is provided on pages 99-101 in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 40-42 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City's constituency. The City has two pension trust funds and one agency fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 43-44 and 71-72 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 52-54 of this report.

The notes to this report also contain certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the City's assets exceeded its liabilities by \$345.6 million at June 30, 2002.

Reported for the first time this year were some of the City's infrastructure assets including roads, sidewalks, bridges, dams, right-of-ways, streetlights, and culverts, all of which have useful lives that range between 20 and 50 years. The City has, in the past, reported only its storm and sanitary sewers with useful lives of 50 years.

CITY OF MANCHESTER, NEW HAMPSHIRE
NET ASSETS (\$000's)
JUNE 30, 2002

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Current and other assets	\$ 118,097	\$ 159,747	\$ 277,844
Non-current assets	18,511	9,268	27,779
Capital assets	173,630	464,750	638,380
Total Assets	310,238	633,765	944,003
Current liabilities	73,046	20,634	93,680
Long-term liabilities outstanding	173,697	330,999	504,696
Total Liabilities	246,743	351,633	598,376
Net Assets:			
Invested in capital assets, net of related debt	73,140	202,690	275,830
Restricted	17,994	26,540	44,534
Unrestricted	(27,639)	52,903	25,264
Total Net Assets	\$ 63,495	\$ 282,133	\$ 345,628

At the end of the current fiscal year, the City is able to report a positive balance in both its governmental and proprietary activities.

The portion of the City's net assets of \$275.8 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the City's net assets that are restricted, \$44.5 million, represents resources that are subject to external restrictions on how they may be used. Governmental unrestricted net assets (deficit) of (\$27.6) million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance. The primary reasons for the negative balance are due to the issuance of the 1993 Fiscal Year Conversion Bonds, which were issued to properly fund revenue and expenditure timing differences, which has an outstanding balance of \$9,696,425 as well as related Capital Appreciation Bonds accrual of \$6,909,802, the Pension Obligation Bond with an outstanding balance of \$17,803,855, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$1,330,246, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$21,509,737, Urban Renewal Related Projects with outstanding balances of \$5,211,085, Revaluation debt with an outstanding balance of \$1,185,000, long-term debt related to insurance claims with an estimated

outstanding balance of \$4,071,081, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$5,418,492 at June 30, 2002.

CITY OF MANCHESTER, NEW HAMPSHIRE
CHANGES IN NET ASSETS (DEFICITS) (000's)
JUNE 30, 2002

	Primary Government		
	Governmental Activities	Business- Type Activities	Total Government
Revenues:			
Program Revenues:			
Charges for services	\$ 34,999	\$ 61,790	\$ 96,789
Operating Grants and contributions	21,491	2,812	24,303
Capital Grants and contributions	65,739	26,468	92,207
General Revenues:			
Property Taxes	58,359	-	58,359
Grants not restricted to specific programs			
Unrestricted investment earnings	2,122	2,762	4,884
Transfers and other	2,096	(16,662)	(14,566)
Total revenues	184,806	77,170	261,976
Expenses:			
General government	38,574	-	38,574
Public safety	38,059	-	38,059
Health and sanitation	3,527	-	3,527
Highways and streets	30,354	-	30,354
Welfare	2,240	-	2,240
Education and library	4,835	-	4,835
Parks and recreation	835	-	835
Cemetery Trust	27	-	27
Investment management fee	20	-	20
Contribution to Pension Trust Fund	449	-	449
Operations	-	47,928	47,928
Total Expenses	118,920	47,928	166,848
Change in net assets	65,886	29,242	95,128
Net assets (deficits)-beginning	(2,391)	252,891	250,500
Net assets -ending	\$ 63,495	\$ 282,133	\$ 345,628

Manchester's net assets increased by \$95.1 million during the fiscal year, with net assets of Governmental Activities increasing by \$65.9 million, and net assets of Business-Type Activities increasing by \$29.2 million. The increase in net assets within Business-Type Activities is due to the degree to which increases in capital contribution revenues have outstripped increases in expenses.

Governmental Activities

More than 35.6% of the revenues were derived from other capital grants, 31.6% from property taxes, followed by 18.9% from charges for services, then 11.6% from operating grants and finally, about 2.3% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, and transfers.

Major revenue factors included:

- ◆ Manchester Housing and Redevelopment Authority capital grants related to the Civic Center contributions totaled \$65,700,698.
- ◆ Property tax revenues recorded for fiscal year 2002 reflect an increase in the City's tax billings, implementation of the city-wide revaluation and growth in the total assessed value of all taxable property of 4.6%.
- ◆ Investment earnings fell in the general fund from \$2.25 million in the prior fiscal year to \$1.13 million for the fiscal year ended June 30, 2002. The reduction in interest and dividend earnings was the result of a slowing economy and the subsequent reduction in interest rates.

Business-Type Activities

Business-Type activities increased the City's net assets by \$29.2 million.

- ◆ Aviation fund capital contributions amounted to \$23.2 million, an increase from \$4.04 million the previous year .

Financial Analysis of the Fund Financial Statements

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43.38 million, an increase from \$36.66 million as reported on June 30, 2001. Approximately 22.2% of this total amount constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) \$14.5 million to cemetery, library and other trust funds, 2) \$2.63 million to liquidate contracts and purchase orders of the prior period, 3) \$1.25 million to self-insured workers' compensation claims reserve, 4) \$1.7 million for advances to an enterprise fund and 5) \$.6 million for inventory.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4.68 million while the total fund balance reached \$21.8 million. As a measure of the general fund's liquidity, it may be useful to

compare both unreserved fund balance and total fund balance to total fund expenditures and education operating transfers. Unreserved fund balance represents 4% of total general fund expenditures, while total fund balance represents 18.7% of that same amount.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the proprietary fund consisting of the Water Works were \$59.03 million, as compared to \$59.76 million in the prior year.

The unrestricted net asset of the Water Works was \$1.6 million. The Water Works experienced operating revenues of \$9.73 million from user fees. There was a total net loss for the Water Works of \$2.67 million, which included a transfer to the pension trust fund for \$1.85 million, before capital contributions of \$1.9 million. The change in net assets for the fiscal year ended June 30, 2002 was (\$731,002).

The total assets for EPD remained relatively flat with a \$148.5 million ending balance at June 30, 2002. Total current assets decreased by \$3.3 million while total capital assets increased by \$3.3 million. The fiscal year 2002 ending fund balance (net assets) is \$103.3 million. Of this amount, \$66 million is invested in capital assets and \$.2 million is restricted for equipment replacement.

The change in net assets for fiscal year 2002 reflects an increase of \$.9 million compared to an increase of \$5.8 million for fiscal year 2001.

This past year has been a strenuous and difficult year for the entire aviation industry as a result of the terrorist acts of September 11, 2001. Nationwide, commercial airports have experienced significant declines in passengers and revenue and large increases in expenses due to federally mandated security reforms.

Contrary to the national trend, Manchester Airport was able to absorb a temporary decline in passengers during September 2001 and for the following two months, but finished the fiscal year with an approximate one percent growth rate over fiscal year 2001 in terms of total passengers. Nationwide, most commercial airports experienced passenger growth rate declines on the order of five to ten percent, with some major hub airports with even greater growth rate declines. Despite September 11th, Manchester Airport is pleased to report its best financial performance to date. Net operating income grew from \$9,795,246 in FY 2001 to \$11,366,591 in FY 2002, an increase of 16%. The change in net assets, which includes the effects of capital contributions, grew from \$13,790,871 in FY2001 to \$29,774,730 in FY 2002, a change of 115.9%.

Total assets increased from \$311,782,018 in FY 2001 to \$410,344,654 in FY 2002. For FY 2002, net cash provided by operating activities was \$18,843,050 an increase in net cash of \$1,124,774 or 6.3%. Cash and cash equivalents increased from \$41,822,305 in FY 2001 to \$104,932,286 in FY 2002. This very significant cash and cash equivalents increase (151%) was due in large measure to bond fund proceeds (previously mentioned) received in FY 2002. Bond fund proceeds are, of course, restricted in their use for the intended capital projects.

Management was able to achieve the above financial results, in the face of devastating industry-wide declines after September 11th, through a thorough expense analysis with prudent reductions in discretionary spending, as well as delaying replacement of departing personnel and curtailment of new hires and travel expenses. Management was proactive in approaching the need for much increased security requirements and the concomitant overtime, and equipment. As a result, management-proposed solutions were accepted by the FAA and TSA and partial federal reimbursement of these expenses was received with an expectation of more to follow.

On the revenue side, management chose not to increase the rate burden on an already struggling airline industry by increasing rates and charges. Rather, the Airport stabilized its existing airline rates and charges with positive results. Contrary to the national trend, some airlines actually increased service at Manchester post-September 11th, which added to our landing fee receipts growth over the previous year. As our security expenses increased, management made the decision to pass some of these costs on to the users of the Airport, e.g., the traveling public. This was accomplished through an increase in parking rates, implemented in March 2002. Despite this parking rate increase, Manchester Airport's parking rate structure remains very competitive with our neighboring major airports to the south, i.e., Boston-Logan and T.F. Green. The traveling public readily accepted this increase.

General Fund Budgetary Highlights

The City ended Fiscal Year 2002 with an improved balance sheet over FY 2001. The City's "rainy day" revenue stabilization fund increased from \$9,008,623 to \$9,576,915. The City's undesignated fund balance also improved from \$3,777,077 to \$4,683,957. Equally important, the City's reserves for workers compensation, health insurance, and general liability were also significantly strengthened.

The difference between the original budget and the final revised budget was \$150,000. The additional appropriation approved during the year are summarized below:

- ◆ The net budget amendment dated December 15, 2001 increased the welfare department expenditures budget by \$880,000.
- ◆ These additional appropriations were offset by reductions in original budgeted appropriations as summarized below:
- ◆ A reduction from original General Government appropriations of \$177,876.
- ◆ A reduction from original CIP transfers appropriations of \$150,000.
- ◆ A reduction from original Debt Service appropriations of \$100,000.
- ◆ A reduction from original Public Safety appropriations of \$132,529.
- ◆ A reduction from original Health appropriations of \$6,056.
- ◆ A reduction from original Highways and Streets appropriations of \$265,976.
- ◆ A reduction from original Education and Library appropriations of \$13,787.
- ◆ A reduction from original Parks and Recreations appropriations of \$33,776.

During the year, actual revenues and other financing sources on a budgetary basis were \$99.4 million, which were short of budgetary estimates by \$2.6 million. Actual tax revenues

exceeded budget by \$202,330. Actual intergovernmental revenue was \$133,687 over budgetary estimates primarily due to lower anticipated revenues granted to the City through various state programs. Investment income was \$692,352 less than the \$1.8 million that had been budgeted. The budgeted amounts, for investment income was predicated upon historical short-term interest rates that prevailed during the budget preparation period. These assumptions did not anticipate the sharp decline in interest rates during fiscal 2002 and following September 11th. Additional shortfalls of \$522,058 resulted in fees, permits. Nonenterprise charges for sales and services were \$861,925 less than budgeted. Other revenues were \$904,048 less than budgeted.

Actual expenditures on a budgetary basis and other financing uses totaled \$98.5 million, \$5.4 million less than budgeted. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$2,776,051. The fiscal year 2002 budget included a planned appropriation of fund balance of \$1.5 million.

General Fund Revenues - The following schedule presents a summary of General Fund revenues (GAAP basis) for the years ended June 30, 2002 and 2001.

Revenues	2002 Amount (000's)	2001 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)	
Taxes	\$ 59,021	\$58,628	\$ 393	0.67	%
Federal and State Grants	7,292	7,147	145	2.03	
Nonenterprise charges for sales and services	4,432	3,898	534	13.70	
Licenses and Permits	19,745	18,433	1,312	7.12	
Interest	1,133	2,256	(1,123)	(49.78)	
Other	9,120	7,942	1,178	14.83	
Total	\$100,743	\$98,304	\$ 2,439	2.48	%

The increase in revenues is due mainly to automobile registrations and charges to the School District.

General Fund Expenditures - The following schedule presents a summary of General Fund Expenditures (GAAP basis) for the years ended June 30, 2002 and 2001.

Expenditures	2002 Amount (000's)	2001 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
General government	\$18,369	\$17,385	\$ 984	5.66 %
Public safety	34,556	32,149	2,407	7.49
Health and sanitation	2,712	2,620	92	3.51
Highway and streets	20,099	19,717	382	1.94
Welfare	2,147	1,402	745	53.14
Education	2,259	2,184	75	3.43
Parks and recreation	3,034	2,941	93	3.16
Debt service	14,754	13,873	881	6.35
Pension benefit payment	18,660	0	18,660	100.00
Total	\$116,590	\$92,271	\$24,319	26.36 %

The overall increase in expenditures is due primarily to salary and benefit costs. Employee benefit costs rose more than 18.4% due to rising health insurance costs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2002, amount to \$638.4 million, net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$62.7 million or 12.2%.

CITY OF MANCHESTER, NEW HAMPSHIRE CAPITAL ASSETS (net of depreciation)(000's) JUNE 30, 2002

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Land	\$ 18,366	\$ 10,377	\$ 28,743
Buildings and improvements	114,839	235,201	350,040
Infrastructure	17,572	-	17,572
Machinery, equipment, distribution and collection systems	5,309	52,118	57,427
Construction in progress	17,544	167,054	184,598
Total	\$ 173,630	\$ 464,750	\$ 638,380

Major capital asset events during the current fiscal year included the following:

- ◆ Addition of the Civic Center.
- ◆ Improvements and renovations to school buildings and facilities.
- ◆ Continued rehabilitation of playgrounds and athletic fields.
- ◆ Infrastructure improvements including roads, bridges, and sanitary and sewer projects.
- ◆ Replacement of several pieces of emergency and rescue equipment for the fire department and purchase of police vehicles.
- ◆ Acquisition of parcels for ongoing city development projects.

Additional information on the City of Manchester's capital assets can be found in Note 8 on pages 63-66 of this report.

**CITY OF MANCHESTER, NEW HAMPSHIRE
OUTSTANDING DEBT
GENERAL OBLIGATION AND REVENUE BONDS (000's) in thousands
JUNE 30, 2002**

	Governmental Activities	Business- Type Activities	Total
General obligation bonds	\$ 135,788	\$ 50,927	\$ 186,715
Revenue bonds	-	275,329	275,329
Totals	\$ 135,788	\$ 326,256	\$ 462,044

Long-term debt. At the end of the current fiscal year, the City had total debt service requirements, on bonded debt outstanding, of \$537,578,155. 100% of the general obligation debt is backed by the full faith and credit of the City government.

The City's total debt increased by \$55.5 million during fiscal 2002. During the current fiscal year, the City refinanced some of its outstanding debt to take advantage of favorable interest rates that resulted in present value cash flow savings of \$287,843. The refunding reduces debt service payments over the remaining ten year term of the issues in the amount of \$351,492.

Moody's Investors Service, Inc. has assigned it's municipal bond rating of "Aa2" to the City for the its uninsured general obligation debt .

The general debt limit of the City is 9.75% of base valuation. The base valuation (\$5,952,027,109) for computing the debt limit is determined by adding the amount of taxable property lost to cities, towns and districts as a result of the enactment of the State Business Profit Tax Law to the "equalize assessed valuation." Not more than 7% of the base valuation may be incurred for school purposes. Water and Sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the

City's base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's debt limit. The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements. The total bonded debt for the general government includes the School District portion. As of June 30, 2002, the City recorded long-term debt of \$88.1 million related to Governmental Activities, \$47.7 related to the School District and \$50.9 million related to Business-Type Activities, well below its statutory debt limit.

Additional information on the City of Manchester's long-term debt can be found in Note 9 on pages 67-70 of this report.

Economic Factors and Next Year's Budgets and Rates

As of November 2002, the unemployment rate for the Manchester Metropolitan Statistical Area was 4.6%, up from under 3% in the prior year. Moreover, New Hampshire state government is now reporting serious revenue shortfalls that may translate into reductions in State aid to the City of Manchester and other municipalities in the State.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at One City Hall Plaza, Manchester, NH 03101.



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BASIC FINANCIAL STATEMENTS



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Statement of Net Assets

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 67,105,651	\$ 29,238,549	\$ 96,344,200
Restricted cash	6,455,874	108,870,681	115,326,555
Investments	16,545,198	3,894,770	20,439,968
Receivables	25,574,782	18,266,439	43,841,221
Prepaid expenses	231,819	275,104	506,923
Internal balances	1,563,785	(1,563,785)	-
Due from City			-
Inventories	619,177	766,266	1,385,443
Total current assets	<u>118,096,286</u>	<u>159,748,024</u>	<u>277,844,310</u>
Noncurrent assets:			
Land held for resale			-
Capital assets, net of depreciation	173,630,059	464,750,141	638,380,200
Pension asset	18,511,248		18,511,248
Deferred professional fees, net		2,196,783	2,196,783
Receivables		6,769,692	6,769,692
Other		301,023	301,023
Total noncurrent assets	<u>192,141,307</u>	<u>474,017,639</u>	<u>666,158,946</u>
Total Assets	\$ 310,237,593	\$ 633,765,663	\$ 944,003,256
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,631,299	\$ 9,545,291	\$ 20,176,590
Retainage payable	104,506	2,203,446	2,307,952
Accrued liabilities	3,910,232	8,604,020	12,514,252
Other liabilities	1,036,200	236,550	1,272,750
Insurance claims payable	905,321		905,321
Due to school district	16,788,069		16,788,069
Deferred revenue	14,148,517	44,030	14,192,547
Taxes collected in advance	25,522,225		25,522,225
Total current liabilities	<u>73,046,369</u>	<u>20,633,337</u>	<u>93,679,706</u>
Noncurrent liabilities:			
Due within one year	21,943,360	12,711,161	34,654,521
Due in more than one year	151,753,312	318,288,089	470,041,401
Bond discounts			-
Total noncurrent liabilities	<u>173,696,672</u>	<u>330,999,250</u>	<u>504,695,922</u>
Total Liabilities	246,743,041	351,632,587	598,375,628
NET ASSETS			
Investment in capital assets, net of related debt	73,139,911	202,689,413	275,829,324
Restricted for:			
Coverage account		5,134,898	5,134,898
PFCs		3,943,854	3,943,854
MSDC		1,045,920	1,045,920
Revenue bond O&M		5,185,500	5,185,500
Revenue bond fund		10,558,520	10,558,520
Workmen's compensation	3,476,283		3,476,283
Cemetery and other trust funds	11,834,262		11,834,262
Library trust funds	2,683,271		2,683,271
Land held for resale			-
Equipment replacement		671,592	671,592
Unrestricted	(27,639,175)	52,903,379	25,264,204
Total Net Assets	\$ 63,494,552	\$ 282,133,076	\$ 345,627,628
See accompanying notes.			

Component Units		
Manchester School District	Manchester Transit Authority	Manchester Development Corporation
\$ 3,521,486	\$ 1,321,610	\$ 1,777,499 33,924
2,154,040	139,054	569,281
113,596	145,299	
-		
16,788,069	152,625	
<u>22,577,191</u>	<u>1,758,588</u>	<u>2,380,704</u>
		504,187
4,502,443	2,603,511	
<u>4,502,443</u>	<u>2,603,511</u>	<u>504,187</u>
\$ 27,079,634	\$ 4,362,099	\$ 2,884,891
\$ 860,198	\$ 46,191	\$ 12,540
12,915,476	32,262	28,924 15,085
995,321		
21,638,306	5,063	
<u>36,409,301</u>	<u>83,516</u>	<u>56,549</u>
4,178,096		
	283,139	
<u>4,178,096</u>	<u>283,139</u>	<u>-</u>
40,587,397	366,655	56,549
4,502,443	1,495,756	
		504,187
23,130	1,107,755	
(18,033,336)	1,391,933	2,324,155
<u>\$ (13,507,763)</u>	<u>\$ 3,995,444</u>	<u>\$ 2,828,342</u>

Statement of Activities

		Program Revenues		
		Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Primary government:				
General government	\$ 38,573,766	\$ 9,459,120	\$ 15,032,550	\$ 65,700,698
Public safety	38,059,051	2,068,332	982,878	
Health and sanitation	3,527,296	1,639,360	623,465	
Highways and streets	30,353,748	6,237,960	3,772,926	38,649
Welfare	2,240,572	91,866		
Education and library	4,835,074	40,748	13,773	
Parks and recreation	835,111	616,507	1,065,528	
Cemetery Trust	26,808			
Investment management fee	19,704			
Total governmental activities	<u>118,471,130</u>	<u>20,153,893</u>	<u>21,491,120</u>	<u>65,739,347</u>
Business-type activities				
Water	10,644,202	9,734,649		1,944,814
EPD	11,915,304	11,277,955	319,859	1,321,884
Aviation	36,331,667	38,447,785	2,492,240	23,201,420
Recreation	2,286,392	2,248,307		
Aggregation	147,081	81,224		
Total business-type activities	<u>61,324,646</u>	<u>61,789,920</u>	<u>2,812,099</u>	<u>26,468,118</u>
Total primary government:	<u>\$ 179,795,776</u>	<u>\$ 81,943,813</u>	<u>\$ 24,303,219</u>	<u>\$ 92,207,465</u>
Component units				
Manchester School District	128,526,953	15,266,844	84,646,461	
Manchester Transit Authority	4,312,184	2,108,202	1,603,782	250,000
Manchester Development Corporation	60,386			
Total component units	<u>\$ 132,899,523</u>	<u>\$ 17,375,046</u>	<u>\$ 86,250,243</u>	<u>\$ 250,000</u>
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Loss on investments				
Debt reimbursement from MSD				
Donation of land				
Loss on disposal of assets				
Transfers				
Transfers out to pension trust fund				
Total general revenues and transfers				
Change in net assets (deficits)				
Net assets - beginning as restated (Note 14)				
Net assets (deficits) - ending				
See accompanying notes.				

City of Manchester New Hampshire
For the Fiscal Year Ended June 30, 2002

Net (Expense) Revenue and Changes in Net Assets (Deficits)					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Development Corporation
\$ 51,618,602		\$ 51,618,602			
(35,007,841)		(35,007,841)			
(1,264,471)		(1,264,471)			
(20,304,213)		(20,304,213)			
(2,148,706)		(2,148,706)			
(4,780,553)		(4,780,553)			
846,924		846,924			
(26,808)		(26,808)			
(19,704)		(19,704)			
<u>(11,086,770)</u>	<u>-</u>	<u>(11,086,770)</u>			
	1,035,261	1,035,261			
	1,004,394	1,004,394			
	27,809,778	27,809,778			
	(38,085)	(38,085)			
	<u>(65,857)</u>	<u>(65,857)</u>			
-	29,745,491	29,745,491			
<u>\$ (11,086,770)</u>	<u>\$ 29,745,491</u>	<u>\$ 18,658,721</u>			
			\$ (28,613,648)		
				\$ (350,200)	
					\$ (60,386)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,613,648)</u>	<u>\$ (350,200)</u>	<u>\$ (60,386)</u>
58,358,679	-	58,358,679	27,046,973	-	-
13,738,150	-	13,738,150	-	-	-
1,106,689	-	1,106,689	-	-	-
2,122,188	2,761,531	4,883,719	-	23,675	52,305
(1,324,150)		(1,324,150)	-		
6,044,929	-	6,044,929	-	-	-
	(1,103,238)	(1,103,238)	-	-	-
(2,624,534)	(312,244)	(2,936,778)	-	10,670	-
		-	-	-	-
(449,012)	(1,849,740)	(2,298,752)	-	-	-
<u>76,972,939</u>	<u>(503,691)</u>	<u>76,469,248</u>	<u>27,046,973</u>	<u>34,345</u>	<u>52,305</u>
65,886,169	29,241,800	95,127,969	(1,566,675)	(315,855)	(8,081)
(2,391,617)	252,891,276	250,499,659	(11,941,088)	4,311,299	2,836,423
<u>\$ 63,494,552</u>	<u>\$ 282,133,076</u>	<u>\$ 345,627,628</u>	<u>\$ (13,507,763)</u>	<u>\$ 3,995,444</u>	<u>\$ 2,828,342</u>

**Balance Sheet
Governmental Funds**

**City of Manchester, New Hampshire
June 30, 2002**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 58,543,082	\$ 6,052,702	\$ 2,509,867	\$ 67,105,651
Restricted cash and cash equivalents	5,406,750	99,974	949,150	6,455,874
Investments	505,116		16,040,082	16,545,198
Receivables, net of allowances for collection losses	18,614,409	13,147	5,312,854	23,940,410
Prepaid items	82,325			82,325
Due from other funds	5,038,627		70,851	5,109,478
Inventories	619,177			619,177
Total Assets	<u>\$ 88,809,486</u>	<u>\$ 6,165,823</u>	<u>\$ 24,882,804</u>	<u>\$ 119,858,113</u>
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts and warrants payable	\$ 4,307,092	\$ 2,681,724	\$ 3,642,483	\$ 10,631,299
Retainage payable	4,532	99,974		104,506
Accrued liabilities	2,005,273		45,948	2,051,221
Insurance claims payable	905,321			905,321
Due to other funds			2,467,377	2,467,377
Due to Manchester School District	18,522,747			18,522,747
Due to City of Manchester			34,000	34,000
Deferred revenue	15,736,535		493,903	16,230,438
Taxes collected in advance	25,522,225			25,522,225
Other			6,877	6,877
Total Liabilities	<u>67,003,725</u>	<u>2,781,698</u>	<u>6,690,588</u>	<u>76,476,011</u>
Fund Equity				
Fund balances				
Reserved for				
Encumbrances	540,119	1,532,188	558,430	2,630,737
Cemetery and other trust funds			11,834,262	11,834,262
Library			2,683,271	2,683,271
Inventory	619,177			619,177
Advances	1,720,166			1,720,166
Workers' compensation	1,253,582			1,253,582
Designated for				
Health insurance	1,913,932			1,913,932
General liability insurance	1,497,913			1,497,913
Revenue stabilization	9,576,915			9,576,915
Undesignated fund balance	4,683,957	1,851,937	3,116,253	9,652,147
Total Fund Equity	<u>21,805,761</u>	<u>3,384,125</u>	<u>18,192,216</u>	<u>43,382,102</u>
Total Liabilities and Fund Balances	<u>\$ 88,809,486</u>	<u>\$ 6,165,823</u>	<u>\$ 24,882,804</u>	<u>\$ 119,858,113</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	173,630,059
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	18,511,248
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	705,550
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the funds.	(173,479,665)
Long-term liabilities consisting of accruals are not due and payable in the current period and, therefore, are not reported in the funds.	745,258
	<u>\$ 63,494,552</u>

See accompanying notes.

**Statement of Revenues,
Expenditures and Changes in Fund Balances (Deficit)
Governmental Funds**

**City of Manchester, New Hampshire
Year Ended June 30, 2002**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 59,020,928			\$ 59,020,928
Federal and state grants and aid	7,291,673	\$ 1,932,039	\$ 12,244,370	21,468,082
Nonenterprise charges for sales and service	4,432,086		151,458	4,583,544
Licenses and permits	19,744,630			19,744,630
Interest	1,132,648		989,540	2,122,188
Contributions		9,265	126,053	135,318
Net loss on sale of securities			(1,466,788)	(1,466,788)
Other	9,120,585		1,605,334	10,725,919
Total Revenues	100,742,550	1,941,304	13,649,967	116,333,821
<u>Expenditures</u>				
Current:				
General government	18,368,831	11,820,767	8,729,698	38,919,296
Public safety	34,556,506	1,354,367	1,378,385	37,289,258
Health and sanitation	2,711,544	27,236	780,838	3,519,618
Highway and streets	20,099,068	4,831,414	1,285,702	26,216,184
Welfare	2,146,722		97,140	2,243,862
Education	2,258,746	210,540	588,655	3,057,941
Parks and recreation	3,034,011	1,756,481	1,982,902	6,773,394
Pension Benefit Payments	18,960,260			18,960,260
Cemetery Trust			25,309	25,309
Investment management fee			19,704	19,704
Debt service:				
Principal retirement	11,030,422			11,030,422
Interest	3,565,940			3,565,940
Issue Costs	158,662			158,662
Total Expenditures	116,890,712	20,000,805	14,888,333	151,779,850
Excess (Deficiency) of revenues over expenditures	(16,148,162)	(18,059,501)	(1,238,366)	(35,446,029)
<u>Other Financing Sources (Uses)</u>				
Proceeds of refunding bonds	14,150,020			14,150,020
Payment to refunded bond escrow agent	(13,996,706)			(13,996,706)
Proceeds from pension obligation bonds	18,960,260			18,960,260
Bond proceeds		23,055,000		23,055,000
Transfers in	769,277		1,620,742	2,390,019
Transfers out	(1,620,742)		(769,277)	(2,390,019)
Total Other Financing Sources (Uses)	18,262,109	23,055,000	851,465	42,168,574
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	2,113,947	4,995,499	(386,901)	6,722,545
Fund Balance (Deficit), beginning	19,691,814	(1,611,374)	18,579,117	36,659,557
Fund Balance, ending	\$ 21,805,761	\$ 3,384,125	\$ 18,192,216	\$ 43,382,102

See accompanying notes.

CITY OF MANCHESTER, NEW HAMPSHIRE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2002**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 6,722,545
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	68,623,026
--	------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,090,062)
--	-------------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(23,809,252)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	15,439,912
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Change in net assets of governmental activities	<u>\$ 65,886,169</u>
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General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2002

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes	\$ 58,197,875	\$ 58,197,875	\$ 58,400,205	\$ 202,330
Federal and state grants and aid	6,511,773	6,511,773	6,645,460	133,687
Nonenterprise charges for sales and services	5,294,011	5,294,011	4,432,086	(861,925)
Licenses and permits	20,266,688	20,266,688	19,744,630	(522,058)
Interest	1,825,000	1,825,000	1,132,648	(692,352)
Other	10,024,633	10,024,633	9,120,585	(904,048)
Total Revenues	102,119,980	102,119,980	99,475,614	(2,644,366)
<u>Expenditures</u>				
Current:				
General government	22,672,191	22,034,172	18,396,562	3,637,610
Public safety	34,484,277	34,243,485	33,853,819	389,666
Health and sanitation	2,733,226	2,709,038	2,705,481	3,557
Highway and streets	21,767,436	20,537,847	19,735,934	801,913
Welfare	1,461,074	2,235,123	2,145,427	89,696
Education	2,349,374	2,297,986	2,253,692	44,294
Parks and recreation	3,379,013	3,280,789	3,032,982	247,807
Debt service:				
Principal retirement	10,034,398	11,108,201	11,030,422	77,779
Interest	3,298,349	3,882,697	3,565,940	316,757
Issue costs	-	-	158,662	(158,662)
Total Expenditures	102,179,338	102,329,338	96,878,921	5,450,417
Excess of revenues over expenditures	(59,358)	(209,358)	2,596,693	2,806,051
<u>Other Financing Sources (Uses)</u>				
Transfers in	350,100	350,100	300,100	(50,000)
Transfers out	(1,790,742)	(1,640,742)	(1,620,742)	20,000
Total Other Financing Sources (Uses)	(1,440,642)	(1,290,642)	(1,320,642)	(30,000)
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,500,000)	\$ (1,500,000)	\$ 1,276,051	\$ 2,776,051

See accompanying notes.

	Business-type Activities-Enterprise Funds				
	Water Works Fund	Major EPD Fund	Aviation Fund	Non-Major Funds	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 695,084	\$ 28,543,465			\$ 29,238,549
Restricted cash and cash equivalents	3,351,926	586,469	\$ 104,932,286		108,870,681
Restricted investments			3,894,770		3,894,770
Receivables, net of allowances for collection losses	1,973,020	4,582,725	11,516,835	\$ 193,859	18,266,439
Prepaid items	89,921	11,122	174,061		275,104
Due from other funds	385,363				385,363
Inventories	723,646	36,712		5,908	766,266
Total current assets:	7,218,960	33,760,493	120,517,952	199,767	161,697,172
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	65,185,408	107,622,232	287,707,776	4,234,725	464,750,141
Deferred professional fees			2,118,926	77,857	2,196,783
Receivables		6,769,692			6,769,692
Other receivables		301,023			301,023
Total noncurrent assets:	65,185,408	114,692,947	289,826,702	4,312,582	474,017,639
Total Assets	\$ 72,404,368	\$ 148,453,440	\$ 410,344,654	\$ 4,512,349	\$ 635,714,811
Liabilities					
Current liabilities					
Accounts and warrants payable	\$ 614,954	\$ 1,786,525	\$ 7,056,153	\$ 87,659	\$ 9,545,291
Retainage payable	90,472		2,112,974		2,203,446
Accrued liabilities	413,351	1,355,520	6,731,425	103,724	8,604,020
Due to other funds				1,949,148	1,949,148
Deferred revenue			44,030		44,030
Bonds and notes payable	866,585	5,853,664	4,465,001	151,600	11,336,850
Compensated absences	921,398	217,969	104,436	130,508	1,374,311
Other	214,500			22,050	236,550
Total Current liabilities	3,121,260	9,213,678	20,514,019	2,444,689	35,293,646
Noncurrent liabilities					
Bonds payable	10,256,458	32,827,701	270,863,819	971,000	314,918,978
Notes Payable		3,146,895			3,146,895
Deferred Revenue			139,660	13,428	153,088
Compensated Absences					-
Other			69,128		69,128
Total Noncurrent liabilities	10,256,458	35,974,596	271,072,607	984,428	318,288,089
Total Liabilities	13,377,718	45,188,274	291,586,626	3,429,117	353,581,735
Net Assets					
Invested in Capital Assets, net of related debt	55,921,520	65,793,971	77,861,797	3,112,125	202,689,413
Restricted	1,501,598	215,914	24,822,772		26,540,284
Unrestricted	1,603,532	37,255,281	16,073,459	(2,028,893)	52,903,379
Total Net Assets	\$ 59,026,650	\$ 103,265,166	\$ 118,758,028	\$ 1,083,232	\$ 282,133,076

Proprietary Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets

City of Manchester, New Hampshire
Year Ended June 30, 2002

	Business-type Activities-Enterprise Funds				Total
	Water Works Fund	Major EPD Fund	Aviation Fund	Non-major Funds	
<u>Operating Revenues</u>					
Charges for goods and services	\$ 9,734,649	\$ 11,145,505	\$ 28,867,307	\$ 2,305,399	\$ 52,052,860
Other			2,987,993	822	2,988,815
Total Operating Revenues	9,734,649	11,145,505	31,855,300	2,306,221	55,041,675
<u>Operating Expenses</u>					
Personnel services	4,566,084	2,091,083	3,708,663	1,433,253	11,799,083
Plant maintenance	135,911	2,133,224	3,949,971	105,137	6,324,243
Light/heat and power	837,917	1,616,106	1,346,968	246,882	4,047,873
General and administrative	1,154,927	394,381	5,917,707	236,326	7,703,341
Depreciation and amortization	2,852,624	4,376,643	5,565,400	312,071	13,106,738
Total Operating Expenses	9,547,463	10,611,437	20,488,709	2,333,669	42,981,278
Operating Income (Loss)	187,186	534,068	11,366,591	(27,448)	12,060,397
<u>Non-Operating Revenues (Expenses), net</u>					
Soundproofing program grant			2,492,240	-	2,492,240
Soundproofing program expense			(4,463,150)	-	(4,463,150)
Interest income	83,477	681,266	1,993,168	3,620	2,761,531
Interest expense	(711,354)	(1,303,867)	(11,281,375)	(99,804)	(13,396,400)
Reimbursements of bond interest expense		319,859		-	319,859
Finance and service charges	(385,385)		(98,433)	-	(483,818)
Passenger facility charges			4,549,127	-	4,549,127
Customer facility charges			2,043,358	-	2,043,358
Rent and other income		132,450		23,310	155,760
Donation of land		(1,103,238)		-	(1,103,238)
Loss on disposal of fixed assets		(274,859)	(28,216)	(9,169)	(312,244)
Transfer to pension trust fund	(1,849,740)			-	(1,849,740)
Total Non-operating Expenses	(2,863,002)	(1,548,389)	(4,793,281)	(82,043)	(9,286,715)
Net income (loss) before capital contributions	(2,675,816)	(1,014,321)	6,573,310	(109,491)	2,773,682
Capital Contributions	1,944,814	1,321,884	23,201,420	-	26,468,118
Cumulative effect in change in depreciation method		609,014		-	609,014
Change in Net Assets	(731,002)	916,577	29,774,730	(109,491)	29,850,814
Fund Net Assets, beginning of year	59,757,652	102,348,589	88,983,298	1,192,723	252,282,262
Fund Net Assets, end of year	\$ 59,026,650	\$ 103,265,166	\$ 118,758,028	\$ 1,083,232	\$ 282,133,076

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2002

	Business-type Activities-Enterprise Funds				Total
	Water Works Fund	Major EPD Fund	Aviation Fund	Non-Major Funds	
Cash Flows from Operating Activities					
Cash received from customers	\$ 8,601,696	\$ 11,263,393	\$ 31,502,037	\$ 2,403,173	\$ 53,770,299
Cash payments for goods and services	(1,618,637)	(3,774,916)	(9,031,804)	(591,840)	(15,017,197)
Cash payments to employees for services	(4,378,945)	(2,338,059)	(3,627,183)	(1,405,097)	(11,749,284)
Other operating revenues				23,310	23,310
Net Cash Provided by Operating Activities	2,604,114	5,150,418	18,843,050	429,546	27,027,128
Cash Flows from Non-Capital and Related Financing Activities					
Amounts from federal & state governments for soundproofing			2,525,713	-	2,525,713
Soundproofing related expenses			(4,463,150)	-	(4,463,150)
Passenger and customer facility charges			6,625,958	-	6,625,958
Cash payment to Pension Trust	(1,849,740)			-	(1,849,740)
Interest paid on cash advances				(42,703)	(42,703)
Short-term cash advance from City				228,031	228,031
Net Cash Provided by Non-Capital & Related Financing Activities	(1,849,740)	-	4,688,521	185,328	3,024,109
Cash Flows from Capital and Related Financing Activities					
Proceeds from revenue bonds			108,005,000	-	108,005,000
Proceeds from State of New Hampshire Revolving Fund		2,661,994		-	2,661,994
Reimbursement of bond interest expenses		322,315		-	322,315
Proceeds from general obligations	2,819,740			-	2,819,740
Decrease in State of New Hampshire liability		(3,893,091)		-	(3,893,091)
Principal paid on bonds	(786,964)	(925,106)	(41,745,000)	(156,600)	(43,613,670)
Interest paid on bonds	(572,542)	(1,262,362)	(10,528,558)	(57,301)	(12,420,763)
Contributed capital by federal, state & local governments	1,944,814	1,245,988	17,883,778	-	21,074,580
Acquisition and construction of capital assets	(2,897,945)	(7,466,961)	(43,077,753)	(983,247)	(54,425,906)
Proceeds from sale of equipment				5,000	5,000
Net Cash Provided by Capital & Related Financing Activities	507,103	(9,317,223)	30,537,467	(1,192,148)	20,535,199
Cash Flows from Investing Activities					
Sale of investment securities			7,047,775	-	7,047,775
Interest and dividends from investments	83,477	790,890	1,993,168	3,620	2,871,155
Net Cash Provided (Used) by Investing Activities	83,477	790,890	9,040,943	3,620	9,918,930
Net Increase (Decrease) in Cash and Cash Equivalents	1,344,954	(3,375,915)	63,109,981	(573,654)	60,505,366
Cash and Cash Equivalents at Beginning of Year	2,702,056	32,505,849	41,822,305	573,654	77,603,864
Cash and Cash Equivalents at End of Year	\$ 4,047,010	\$ 29,129,934	\$ 104,932,286	\$ -	\$ 138,109,230
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 187,186	\$ 534,068	\$ 11,366,591	\$ (27,448)	\$ 12,060,397
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	2,852,624	3,767,630	5,565,400	312,071	12,497,725
Non-operating revenue		(79,819)		23,310	(56,509)
Change in Assets and Liabilities					
(Increase) decrease in receivables	(647,071)	89,759	(339,657)	24,551	(872,418)
(Increase) in inventories	(100,497)	(261)		-	(100,758)
(Increase) decrease in prepaid expenses and other assets	256,504	882	(174,061)	-	83,325
Increase (decrease) in accounts payable	(48,358)	895,890	1,988,260	(3,575)	2,832,217
Increase (decrease) in accrued liabilities	(413)	(53,141)	442,977	91,014	480,437
Increase (decrease) in compensated absences	124,186	(4,590)	7,146	4,644	131,386
Increase (decrease) in Deferred Revenue			(13,606)	4,979	(8,627)
(Decrease) in interfund liabilities	(20,047)				(20,047)
Net Cash Provided by Operating Activities	\$ 2,604,114	\$ 5,150,418	\$ 18,843,050	\$ 429,546	\$ 27,027,128

Fiduciary Funds
Statement of Fiduciary Net Assets

City of Manchester, New Hampshire
Year ended June 30, 2002

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 10,154,423	
Investments	95,826,206	
Receivables, net of allowances for collection losses	570,375	\$ 1,071,041
Prepaid items	3,333	
Property and equipment, net, where applicable, of accumulated depreciation	<u>121,211</u>	
Total Assets	<u>\$ 106,675,548</u>	<u>\$ 1,071,041</u>
Liabilities		
Accounts and warrants payable	\$ 112,031	
Accrued liabilities	643,689	
Due to other funds	<u>7,275</u>	<u>\$ 1,071,041</u>
Total Liabilities	<u>762,995</u>	<u>\$ 1,071,041</u>
Net Assets		
Held in trust for Employees' Retirement System	<u><u>\$ 105,912,553</u></u>	

See accompanying notes.

Fiduciary Trusts
Statement of Changes in Fiduciary Net Assets

City of Manchester New Hampshire
Year Ended June 30, 2002

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 1,366,588
Plan members	1,473,606
Contribution	20,810,000
Total Contributions	<u>23,650,194</u>
Investment Loss	
Net realized and unrealized depreciation in fair value of investments	(7,671,561)
Interest	1,492,751
Dividends	1,334,213
Less investment expense	(342,118)
Net Investment Loss	<u>(5,186,715)</u>
Total Additions	<u>18,463,479</u>
Deductions	
Benefits paid directly to participants	6,170,107
Refunds of employee contributions	234,255
Administrative expenses	832,190
Total Deductions	<u>7,236,552</u>
Net Increase	11,226,927
Net Assets Held in Trust for Pension Benefits	
Beginning of year	94,685,626
End of year	<u><u>\$105,912,553</u></u>

**NOTES TO
FINANCIAL STATEMENTS**

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies

Reporting entity

The City of Manchester, New Hampshire, (the City) was incorporated in June of 1846 and operates as a municipal corporation governed by an elected mayor and a fourteen (14) member aldermanic board. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and as a result, the component units discussed below are included in the City's reporting entities because of their operational significance and financial relationship with the City.

Discretely presented component units

Manchester Development Corporation ("MDC") - The MDC was created by the Board of Mayor and Aldermen ("BMA") as a public corporation for the purpose of developing economic opportunities for the City. The MDC Board of Directors is comprised of twelve (12) members, all of whom shall be nominated by the Mayor and confirmed by the Board of Aldermen of the City. Separate financial statements are not available. MDC is presented as a governmental fund type.

Manchester School District ("District" or "MSD") - The MSD is responsible for elementary and secondary education within the government's jurisdiction. The fourteen (14) members of the school board are elected by the voters. However, the District is fiscally dependent upon the government as the government's BMA approves the District's budget, levies taxes (if necessary) and must approve any debt issuances. Other independent auditors audited the MSD, a June 30 year-end, and their report, dated November 21, 2002, has been issued under separate cover. The District is presented as a governmental fund type.

Manchester Transit Authority ("MTA") - The MTA was created by the BMA to provide a public transportation system for the citizens of the City. A five-member board appointed by the BMA oversees the MTA. Other independent auditors audited the MTA, a June 30 year-end, and their report, dated August 20, 2002, has been issued under separate cover. The MTA is presented as a proprietary fund type.

Complete financial statements of the individual component units for MSD and MTA may be obtained directly from their administrative offices.

Manchester Development Corporation
One City Hall Plaza
Manchester NH 03104

Manchester School District
196 Bridge Street
Manchester NH 03104

Manchester Transit Authority
110 Elm Street
Manchester NH 03101-2799

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies (continued)

Blended Component Unit

City of Manchester Employees' Contributory Retirement System (the "New System") - The New System was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The New System's Board of Trustees consists of seven members, as follows: the City Finance Officer, the Mayor, one person appointed by the Board of Aldermen, two citizens of the City - one appointed by the Mayor, one elected by the New System members and two New System members also elected by the New System members. Other independent auditors audited the New System, a December 31 year end, for the year ended December 31, 2000, and their report, dated April 9, 2001, has been issued under separate cover. The New System is presented as a pension trust fund.

Complete financial statements of the individual component units may be obtained directly from its administrative office.

City of Manchester Employees'
Contributory Retirement System
1838 Elm Street
Manchester NH 03104

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain locally separate component units which the city is financially accountable for.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies (continued)

regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements) the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants and low-interest state loans.

The government reports the following major proprietary funds:

The *Water Works Fund* accounts for the operations of the City's water service for residential, commercial and industrial entities for the City and six surrounding communities. It is independent in terms of its relationship to other City functions. Its operations are financed from special assessments and direct charges to the users of the service.

The *Environmental Protection Division (EPD)* accounts for the operations of the City's wastewater treatment plant as well as all services related to the treatment of sewage for the City and three surrounding communities. Its operations are financed from special assessments and direct charges to the users of the service.

Aviation Fund is used to account for the operations of the City's airport which is operated by the Department of Aviation.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies (continued)

Additionally, the government reports the following fund types:

Permanent Trust Funds are used to account for assets, contributions and income earned on investments used to maintain the City's cemeteries, endowment funds, and libraries.

The *Pension Trust Funds* account for the activities of the City's two defined benefit pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held as a custodian for outside groups and agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies (continued)

Cash equivalents

New Hampshire Revised Statutes Annotated (“RSA”) Chapter 48:16 (“RSA 48:16”), as amended, establishes the policy the City must adhere to when investing City funds. With approval of the BMA, the Finance Officer, acting as Treasurer, may invest in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire (“the State”), in participation units of the New Hampshire Public Deposit Investment Pool (“NH-PDIP”), in certificates of deposit of banks incorporated under the laws of the State, or in national banks located in New Hampshire or the Commonwealth of Massachusetts. RSA 48:16 does not allow the City to enter into reverse repurchase agreements.

The City’s cash and cash equivalents represent short-term investments with an initial maturity of three months or less.

Investments

Investments are stated at fair value using quoted market prices.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life equal to or in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property and equipment that has been purchased by governmental funds is recorded as expenditures in the purchasing funds at the time of purchase or construction. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net interest cost capitalized in the Environmental Protection Division Fund and Aviation Fund amounted to approximately \$15,000 and \$1,111,000, respectively, for the year ended June 30, 2002.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15-60
Improvements	5-30
Equipment	5-15
Vehicles	3-10
Interceptors (EPD)	50
Infrastructure	20-50

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies (continued)

Compensated absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

The liability for compensated absences, which represents the City's commitment to fund such costs from future operations, is reported in the governmental funds' accrued liabilities. The liability reported as compensated absences includes vested and accumulated vacation leave and sick leave benefits that are not expected to be liquidated with current fiscal year available financial resources. Vested or accumulated vacation and sick leave of the enterprise funds are recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulated sick-leave benefits that it is estimated will be taken as terminal leave prior to retirement.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension accounting

Pension Trust Funds:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds:

The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27 and is recognized in the government wide financial statements. Expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding Policy:

The City makes annual contributions based upon annual actuarial determinations.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

1. Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

Inventory

Inventory is stated as lower of cost or market on a first-in, first-out basis.

Land held for resale

The City holds property for resale. The carrying value of this property includes the purchased price plus the cost of any improvements. When the property is sold the cost of the portion sold is charged to expenditure.

Fund Equity and Net Assets

In the Governmental-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The two categories, and their general meanings, are as follows:

Reserved fund balance - indicates that portion of fund equity which has been legally segregated for specific purposes.

Undesignated and unreserved fund balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities are reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$705,550 difference consisting of current assets are as follows:

Accounts receivable:	
Trade	\$ 556,056
Prepaid expenses:	
Underwriters’ discount and Cost of Issuance	149,494
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 705,550</u>

The details of the \$173,479,665 difference consisting of long-term debt are as follows:

Bonds payable:	\$ 135,787,560
Less: Deferred loss on refunding (to be amortized as interest expense)	(787,488)
Less: Deferred charge for refunding premium (to be Amortized over life of debt)	(9,019)
Add: Deferred discount on pension obligation (to be amortized as interest expense)	579,500
Capital appreciation bonds	6,909,802
Compensated absences	5,418,492
Insurance claims	4,071,081
Landfill closure and post-closure care	21,509,737
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 173,479,665</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

The details of the \$745,258 difference consisting of current accruals are as follows:

Accrued interest	\$ (3,105,341)
Due to School District	1,768,678
Deferred revenue	<u>2,081,921</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 745,258</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$68,623,026 difference are as follows:

Capital outlay	\$ 10,115,460
Civic Center contribution	65,700,698
Depreciation expense	<u>(7,193,132)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 68,623,026</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(23,809,252) difference are as follows:

Long-term liabilities issued or incurred:	
Issuance of general obligation bonds	\$ (37,205,022)
Less series 2001 B discounts	579,500
Less series 2001 AC discounts	158,662
Less series 2001 B discounts	192,216
Issuance of pension obligation bond	(18,960,260)
Principal repayments:	
General obligation debt-City portion	11,030,422
General obligation debt-MSD portion reimbursed	6,447,742
Payment to escrow agent for refunding	<u>13,947,488</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (23,809,252)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$15,439,912 difference are as follows:

Prepaid Pension Asset	\$ 18,511,248
Long-term liabilities incurred:	
Risk reserve	606,483
Landfill reserve	(1,577,833)
Capital appreciation bonds reserve	(921,685)
Compensated absences	(160,836)
Accrued interest	<u>(1,017,465)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 15,439,912</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

3. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

Pursuant to the City's Charter, Section 6.01, the City adopts an annual budget for all General Fund functions and certain enterprise functions (the Water Works enterprise fund operates on a nonappropriated budgetary basis). The legal level of budgetary control is the department level. The special revenue and capital project funds are appropriated through a five-year capital improvement plan.

All portions of the annual City budget and the MSD budget are prepared under the direction of the Mayor. The Mayor establishes the procedures applicable to the preparation and adoption of the annual budget. Budgets include all proposed expenditures and the proposed use of all anticipated revenues. All departments, agencies, and officers submit detailed statements of departmental budget requests to the Mayor per established procedures.

The Mayor develops budget recommendations on appropriations and revenues and submits the recommendations to the BMA on or before the last day of March of each year. Departmental appropriations are made on a bottom-line basis. Benefits and non-departmental items are appropriated apart from the departmental budgets.

The Finance Committee of the BMA reviews the proposed budget recommendations presented by the Mayor. The BMA may increase, reduce or reject any item in the budget submitted by the Mayor. A public hearing is required to be conducted. A majority vote of the BMA is required to adopt the budget appropriation resolutions and is to be completed no later than the second Tuesday in June. The Mayor has line item veto authority.

If the BMA fail to adopt appropriation resolutions, the budget, as originally submitted by the Mayor, shall become the budget.

If during the fiscal year the Mayor certifies, after consultation with and verification by the Finance Officer, that there are available for appropriation revenues in excess of those estimated in the budget, the BMA may make supplemental appropriations for the year up to the amount of such excess, after observing the budget procedures set forth in section 6.04 of the City Charter. There were no additional appropriations during the year.

If at any time during the fiscal year it appears probable to the Mayor, after consultation with and verification by the Finance Officer, that the revenues or fund balances available will be insufficient to finance the expenditures for which appropriations have been authorized, the Mayor shall report to the BMA without delay, indicating the estimated amount of the deficit, any remedial action taken by the Mayor and recommendations as to any other steps to be taken. The BMA shall then take such further action as it deems necessary to prevent or reduce any deficit and for that purpose it may reduce one or more appropriations.

The legal level of control for budgetary is established by object categories within the departmental budgets. Departmental budget transfers from one object category to another must be approved by the Finance Officer prior to approval of the BMA. The Finance Officer is responsible for establishing controls related to the management and monitoring of the budget to prevent expenditures from exceeding budgeted appropriations.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

3. Stewardship, Compliance and Accountability (continued)

Encumbrance accounting is employed in governmental funds. On the GAAP basis, encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statements of Revenues and Expenditures - Budgetary Basis, presents the "actual" results to provide a comparison with the budgets.

The major differences between the budgetary basis and the GAAP basis are:

(a) Tax revenues are recorded when invoiced (budgetary), as opposed to when susceptible to accrual (GAAP).

(b) Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no firm liability exists.

B. Budget/GAAP Reconciliation

Reconciliation of the reported revenues and expenditures of the general fund between the budgetary basis and the GAAP basis are presented below:

	<u>Revenues</u>	<u>Expenditures</u>
Statement of revenues and expenditures -		
budgetary basis	\$ 99,475,614	\$ 96,878,921
Pension benefit payments		18,960,260
Current year encumbrances		(540,119)
State retirement contributions	646,213	646,213
Tax revenues of 2001 recognized in 2002	1,517,671	
Tax revenues of 2002 deferred until 2003	(896,948)	
Prior year encumbrances adjustment		(150,751)
Expenditures of prior year encumbrances		1,096,188
	<u> </u>	<u> </u>
Statement of revenues, expenditures and changes in fund		
balances (in conformity with GAAP)	<u>\$ 100,742,550</u>	<u>\$ 116,890,712</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

4. Cash, Cash Equivalents and Investments

Primary Government

Cash and cash equivalents consist of the following types of accounts at June 30, 2002.

Cash & Cash Equivalents	Primary Government	Component Units
Restricted Deposits	\$ 9,262,540	\$ 33,924
Deposits	6,026,263	852,194
(1) Repurchase Agreements	81,929,407	174,443
(1) Money Market / Index Funds	97,771,866	
(1) NH - PDIP Unclassified	26,542,179	
(1) MDC – Vanguard/BNH Portfolio Trust		750,862
	<u>\$ 221,532,255</u>	<u>\$ 1,811,423</u>
(1) See categorization under investments		
Investments	<u>\$ 30,596,305</u>	<u>0</u>

The City pools substantially all cash, except for separate cash accounts, which are maintained in accordance with legal restrictions.

Written contracts relative to third party holders of collateral or establishing each party's rights with regard to repurchase agreements are entered into by the City. Banks through which repurchase notes are written maintain their collateral in an investment book entry account with the Federal Reserve. For certain contracts collateral is separate from the bank's assets, while for other contracts it is not separate. Repurchase agreements are entered into only with financial institutions; no brokers or dealers are involved in these transactions. The following tables present collateral information for the City's deposits for all funds.

- Category A: Fully insured or collateralized with securities held by the City or its agent in the City's name.
- Category B: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category C: Uncollateralized

	Category			Total Bank	Carrying
	A	B	C	Balance	Amount
Pooled Deposits					
Demand deposits	\$ 11,688,250		\$ 9,945	\$ 11,698,195	\$ 6,878,457
Restricted Deposits	9,262,540		33,924	9,296,464	9,296,464
Total Deposits	<u>\$ 20,950,790</u>	<u>\$ -</u>	<u>\$ 43,869</u>	<u>\$ 20,994,659</u>	<u>\$ 16,174,921</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

4. Cash, Cash Equivalents and Investments (continued)

In accordance with GASB Statement 3, investments are classified as to risk by the three categories described below:

- Category 1: Insured or registered in the City's name, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the City's name.

	Category			Uncategorized (1)	Carry and Fair Value
	1	2	3		
Investments					
US Treasury Notes		\$ 4,989,251			\$ 4,989,251
US Government Securities			\$ 744,474		744,474
Corporate Bonds			3,956,787		3,956,787
Common Stocks			1,221,812		1,221,812
Index Funds				\$ 13,726,218	13,726,218
Mortgage-Back				2,062,992	2,062,992
Sub-Total	-	4,989,251	5,923,073	15,789,210	26,701,534
Restricted Investments					
US Treasury Notes		3,894,771			3,894,771
Total Investments	\$ -	\$ 8,884,022	\$ 5,923,073	\$ 15,789,210	\$ 30,596,305
Cash Equivalents					
Repurchase Agreements		\$81,929,407			\$ 81,929,407
Non-Categorized Items (2)					
Index Funds					97,771,866
NH - PDIP Unclassified					26,542,179
Total Cash Equivalents	\$ -	\$81,929,407	\$ -	\$ -	\$206,243,452
Grand Total	\$ -	\$90,813,429	\$ 5,923,073	\$ 15,789,210	\$236,839,757

- (1) Funds are not subject to investment classification because specific securities related to the City cannot be identified
- (2) The amounts are not subject to risk categorization since the City does not own identifiable securities.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

4. Cash, Cash Equivalents and Investments (continued)

At year end, the CRS Pension Trust's cash balance was as follows:

Cash and cash equivalents consist of the following types of accounts at December 31, 2001.

Cash & Cash Equivalents	CRS Pension Trust
Deposits	<u>\$ 292,923</u>
(1) See categorization under investments	
Investments	<u>\$ 85,669,869</u>

At year end, the CRS Pension Trust's investment balances were as follows:

	<u>Uncategorized (1)</u>	<u>Carry and Fair Value</u>
Investments		
Equity funds	\$ 70,965,824	\$ 70,965,824
Fixed income	11,529,276	11,529,276
Emerging market funds	1,767,466	1,767,466
Charles B. Manning, Inc. (related party)	613,615	613,615
Cash and equivalents	<u>793,688</u>	<u>793,688</u>
Total Investments	<u>\$ 85,669,869</u>	<u>\$ 85,669,869</u>

- (1) Funds are not subject to investment classification because specific securities related to the City cannot be identified.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

5. Taxes and Abatements

The principle tax of the City is the tax on real property. The State has no cap or limit as to the rate or amount of tax a municipality may raise. The municipality's annual property tax rate is established by the Commissioner of the Department of Revenue Administration of the State, based on reports filed with the State. A single tax is levied for general, county and school purposes. The "assessment year" for taxing purposes runs from April 1 to March 31 of the following year.

The City bills and collects its property taxes in two installments. The levy dates are June 1 and November 1 and the due dates for these semi-annual tax billings are July 1 and December 1. Property taxes are recorded as a receivable when billed, net of estimated allowance for abatements. Property tax revenues have been recorded using the modified accrual basis of accounting as described in Note 1.

Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property taxes prior to May 1 of the following assessment year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest and costs will be accepted and the lien released.

Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. During the redemption period, 18 percent interest per annum is charged. Beyond the two-year period of redemption the City has the right to foreclose on properties for which taxes have not been paid. Properties are deeded to the City unless either the lien has been sold by the City, or the City has notified the tax collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

In December 1997, the New Hampshire Supreme Court declared that the property tax to fund education is a State tax, and therefore must be administered in a manner that is equal in valuation and uniform in rate throughout the State.

Chapter 17 of the Laws of 1999 became effective in 1999. The law includes a definition of "adequate education" for New Hampshire schools and establishes an "Education Trust Fund" and a formula for providing state financial assistance to local school districts.

The primary means of State funding for the Education Trust fund is a uniform statewide property tax under which some of the levies from more prosperous ("property rich" or "donor") communities will be collected by the State and redistributed to less affluent ("property poor" or "recipient") school districts. The law established a uniform tax rate of \$6.60 per thousand of total equalized value (not including utility property or local exemptions). The new state aid property tax is assessed and collected in virtually the same manner in which property taxes have been administered in the past with one primary exception, donor communities will be required to send amounts in excess of what is required locally for an adequate education to the State for redistribution to recipient districts. The MSD is a recipient district.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

6. Receivables

Primary Government

	General	CIP	MWW	EPD	Aviation	Other	Total
Due from Warrants	\$ 14,100,087						\$14,100,087
Due from State of NH & other local governments	2,432,784			\$ 8,123,265	\$ 494,074		11,050,123
Prior year tax liens	759,972						759,972
Tax titles	1,042,066						1,042,066
Due from federal government	13,140				8,893,707	\$ 628,478	9,535,325
Accounts receivable-trade	1,195,856	\$ 13,147	\$ 1,733,063	3,022,334	2,129,054	262,156	8,355,610
Notes receivable						4,399,864	4,399,864
Other	546,631		239,957	507,841		216,215	1,510,644
Total gross receivables	<u>20,090,536</u>	<u>13,147</u>	<u>1,973,020</u>	<u>11,653,440</u>	<u>11,516,835</u>	<u>5,506,713</u>	<u>50,753,691</u>
Allowance for collection losses	<u>(1,476,127)</u>						<u>(1,476,127)</u>
Total net receivables	<u>\$ 18,614,409</u>	<u>\$ 13,147</u>	<u>\$ 1,973,020</u>	<u>\$ 11,653,440</u>	<u>\$ 11,516,835</u>	<u>\$ 5,506,713</u>	<u>\$ 49,277,564</u>

The receivables from the State of New Hampshire and other governmental entities represent their contractual commitment to reimburse the City for the repayment of debt incurred to build its wastewater treatment and related facilities.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

7. Interfund Receivables, Payables and Transfers

Due from/to other funds consist of the following at June 30, 2002:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency	\$ 1,071,041
	Special Revenue:	
	CDBG	6,236
	Other grants	
	HUD Section 108	1,700,198
	Cemetery Trust	304,159
	Expendable Trust	570
	Pension Trust-Old Pension System	7,275
	Enterprise:	
	Recreation	228,982
	Aggregation advances	1,720,166
		<u>5,038,627</u>
Non-Major :		
Other grants	Expendable Trust	70,851
Water Works	Expendable Trust	385,363
		<u>\$ 5,494,841</u>

The balances of \$228,982 and \$1,720,166 due from the two enterprises to the general fund are the result of short-term advances. The balance of \$385,363 is also a result of a short-term advance. All remaining balances resulted from the time lag between the dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2002 were as follows:

<u>General Fund</u>	<u>Special Revenue</u>	<u>Old System Trust</u>	<u>Water Works</u>	<u>Transfers Totals</u>
\$ (1,620,742)	\$ 1,620,742			-
769,277	(769,277)			-
		\$ 1,849,740	\$ (1,849,740)	-
<u>\$ (851,465)</u>	<u>\$ 851,465</u>	<u>\$ 1,849,740</u>	<u>\$ (1,849,740)</u>	<u>\$ -</u>

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations. The transfer from the Water Works fund to the Old System Trust was to fund the pension plan.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

8. Capital Assets

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2002, were as follows:

	Balance 30-Jun-01 as restated	Additions	Retirements	Transfers	Balance 30-Jun-02
Capital assets, not being depreciated					
Land	\$ 15,042,481	\$ 3,323,150			\$ 18,365,631
Construction-in-Progress	21,218,342	2,241,593	\$ (2,445,764)	\$ (3,469,999)	17,544,172
Total capital assets, not being depreciated	<u>36,260,823</u>	<u>5,564,743</u>	<u>(2,445,764)</u>	<u>(3,469,999)</u>	<u>35,909,803</u>
Capital assets, being depreciated					
Buildings	102,427,841	64,911,753	(23,735)	1,399,633	168,715,492
Improvements other than buildings	8,167,088	4,252,526	(499,714)	2,070,366	13,990,266
Equipment	4,987,198	1,440,816	(1,521,350)		4,906,664
Vehicles	14,555,085	1,338,822	(854,971)		15,038,936
Infrastructure	32,905,178	836,722	-	-	33,741,900
Total capital assets, being depreciated	<u>163,042,390</u>	<u>72,780,639</u>	<u>(2,899,770)</u>	<u>3,469,999</u>	<u>236,393,258</u>
Less accumulated depreciation					
Buildings	58,053,200	4,147,325	(11,900)	-	62,188,625
Improvements other than buildings	5,576,766	574,558	(472,879)	-	5,678,445
Equipment	3,995,303	312,525	(1,381,251)		2,926,577
Vehicles	11,695,225	869,674	(854,973)		11,709,926
Infrastructure	14,873,559	1,289,050	-	6,820	16,169,429
Total accumulated depreciation	<u>94,194,053</u>	<u>7,193,132</u>	<u>(2,721,003)</u>	<u>6,820</u>	<u>98,673,002</u>
Governmental Activities Capital Assets, Net	<u>\$ 105,109,160</u>	<u>\$ 71,152,250</u>	<u>\$ (2,624,531)</u>	<u>\$ (6,820)</u>	<u>\$ 173,630,059</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

8. Capital Assets (continued)

Business-type Activities

	Balance 30-Jun-01	Additions	Retirements	Transfers	Balance 30-Jun-02
Capital assets, not being depreciated					
Land	\$ 10,302,543	\$ 1,178,119	\$ (1,103,239)		\$ 10,377,423
Construction-in-Progress	183,907,167	46,692,229	(49,756)	\$ (63,495,951)	167,053,689
Total capital assets, not being depreciated	<u>194,209,710</u>	<u>47,870,348</u>	<u>(1,152,995)</u>	<u>(63,495,951)</u>	<u>177,431,112</u>
Capital assets, being depreciated					
Buildings	204,354,138	2,043,654	(487,100)	687,223	206,597,915
Improvements other than buildings	51,224,344	9,650,150	(45,469)	75,104,935	135,933,960
Equipment	<u>94,264,986</u>	<u>700,627</u>	<u>(369,730)</u>	<u>(12,296,207)</u>	<u>82,299,676</u>
Total capital assets, being depreciated	<u>349,843,468</u>	<u>12,394,431</u>	<u>(902,299)</u>	<u>63,495,951</u>	<u>424,831,551</u>
Less accumulated depreciation accumulated depreciation	<u>125,454,182</u>	<u>11,815,366</u>	<u>242,974</u>	<u>-</u>	<u>137,512,522</u>
Business-type Capital Assets, Net	<u>\$ 418,598,996</u>	<u>\$ 48,449,413</u>	<u>\$ (2,298,268)</u>	<u>\$ -</u>	<u>\$ 464,750,141</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

8. Capital Assets (continued)

Discretely Reported Component Units

Property and equipment activity in the School District at June 30, 2002, consisted of the following:

	Restated balance July 1, 2001	Increases	Balance 30-Jun-02
Capital assets, being depreciated			
Portable classrooms	\$ 843,608		\$ 843,608
Vehicles	-		-
Instruments	63,000		63,000
Other machinery & equipment	6,900,748	\$ 56,171	6,956,919
Total capital assets, being depreciated	<u>7,807,356</u>	<u>56,171</u>	<u>7,863,527</u>
Less accumulated depreciation			
Portable classrooms	61,484	28,122	89,606
Instruments	4,000	2,943	6,943
Other machinery & equipment	<u>2,843,195</u>	<u>421,340</u>	<u>3,264,535</u>
Less total accumulated depreciation	<u>2,908,679</u>	<u>452,405</u>	<u>3,361,084</u>
Total Capital Assets being depreciated, Net	<u>\$ 4,898,677</u>	<u>\$ (396,234)</u>	<u>\$ 4,502,443</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

8. Capital Assets (continued)

Property and equipment activity in the MTA at June 30, 2002, consisted of the following:

	Balance 30-Jun-01	Additions	Retirements	Transfers	Balance 30-Jun-02
Capital assets, not being depreciated					
Land	\$ 129,109				\$ 129,109
Total capital assets, not being depreciated	129,109	-	-	-	129,109
Capital assets, being depreciated					
Buildings	1,807,598				1,807,598
Buses	5,584,482	\$ 766,597	\$ (565,246)		5,785,833
Equipment	1,472,192	11,816	(6,796)		1,477,212
Total capital assets being depreciated	8,864,272	778,413	- (572,042)	-	9,070,643
Less accumulated depreciation	6,559,925	608,358	- (572,042)	-	6,596,241
Total Capital Assets being depreciated, Net	<u>\$ 2,433,456</u>	<u>\$ 170,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,603,511</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General	\$ 1,417,084
Public safety	661,113
Highways and streets	2,609,303
Health and welfare	96,894
Education and library	1,789,937
Parks	618,801
Total depreciation expense – governmental activities	<u>\$ 7,193,132</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

9. Long-Term Debt

Primary Government

The debt service requirements of the City's outstanding general obligation bonds, revenue bonds and notes payable at June 30, 2002 are as follows:

Governmental long-term debt:

Fiscal year	Capital Appreciation	Principal	Interest	Total
2003	\$ 719,629	\$ 16,875,865	\$ 8,446,538	\$ 26,042,032
2004	414,226	15,409,450	8,007,144	23,830,820
2005		14,489,168	7,702,326	22,191,494
2006		10,908,037	4,289,885	15,197,922
2007		7,907,186	3,875,083	11,782,269
Thereafter to Maturity		70,197,854	25,095,801	95,293,655
Total	<u>\$ 1,133,855</u>	<u>\$ 135,787,560</u>	<u>\$ 57,416,777</u>	<u>\$ 194,338,192</u>

Business-type Activities:

Fiscal year	Principal	Interest	Total
2003	\$ 11,336,850	\$ 11,974,514	\$ 23,311,364
2004	11,819,287	11,993,481	23,812,768
2005	12,206,014	13,148,206	25,354,220
2006	11,888,890	12,728,134	24,617,024
2007	10,909,656	12,293,890	23,203,546
Thereafter to maturity	273,666,311	149,184,102	422,850,413
Debt Service Requirement	331,827,008	211,322,327	543,149,335
Less Bond Discount	(3,735,792)		(3,735,792)
Less Deferred Loss	(1,835,388)		(1,835,388)
Total Business-type Activities	<u>\$ 326,255,828</u>	<u>\$ 211,322,327</u>	<u>\$ 537,578,155</u>

Interest rates for the City's outstanding GO bonds range from 2.05% to 8.875%. At June 30, 2002 the City's legal debt limit was \$580,322,643. Authorized, but unissued, bonds as of June 30, 2002 amounted to \$59,082,099. Unissued bonds at June 30, 2002 include authorization for compliance with various improvements, infrastructure improvements, and economic development projects. The business-type funds, EPD and Water Works comprise a large part of this total outstanding dollar amount with \$25,812,099 and \$4,500,000, respectively. Of those amounts, \$30,312,099 is expected to be financed through the State of New Hampshire DES-SRF program. Additionally, the most significant ongoing GO project is the Sanitary Landfill Closure in the amount of \$13,850,000, which is expected to be financed through the State DES-SRF program. The full faith, credit and revenue-raising powers of the City have been pledged to secure these bonds.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

9. Long-Term Debt (continued)

For June 30, 2002 an amount of \$6,909,802 was recorded in the Government-Wide Financial Statement for the accretion of interest on the capital appreciation bonds which is also included in the governmental long-term debt service in fiscal years 2003 through 2005.

Long-term liability activity for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Balance 30-Jun-02	Due within One year
Governmental activities:					
Bonds payable - City	\$ 68,034,279	\$ 43,076,383	\$ 22,990,422	\$ 88,120,240	\$ 10,890,802
Bonds payable - MSD	42,836,164	12,478,898	7,647,742	47,667,320	5,985,063
	<u>110,870,443</u>	<u>55,555,281</u>	<u>30,638,164</u>	<u>135,787,560</u>	<u>16,875,865</u>
Compensated absences	5,257,656	160,836		5,418,492	2,095,614
Insurance claims	4,677,564		606,483	4,071,081	478,845
Capital appreciation bonds	5,988,117	921,685		6,909,802	2,493,036
Net Pension Obligations	364,220		364,220	-	-
Landfill closure and post-closure care	19,931,904	1,577,833		21,509,737	-
	<u>\$ 147,089,904</u>	<u>\$ 58,215,635</u>	<u>\$ 31,608,867</u>	<u>\$ 173,696,672</u>	<u>\$ 21,943,360</u>
Business-type activities					
General Obligation Debt	\$ 46,575,117	\$ 7,155,100	\$ 2,803,209	\$ 50,927,008	\$ 6,871,850
Revenue Bonds, net of unamortized Original Issue Discount	210,385,009	69,665,000	4,721,189	275,328,820	4,465,000
	<u>\$ 256,960,126</u>	<u>\$ 76,820,100</u>	<u>\$ 7,524,398</u>	<u>\$ 326,255,828</u>	<u>\$ 11,336,850</u>

The EPD Enterprise Fund has eight loan agreements with original principal balances amounting to \$33,947,147 with the State of New Hampshire, State Water Pollution Control Revolving Fund (SRF) program for the purpose of financing certain projects in connection with the expansion of the wastewater treatment facility and water pollution abatement project.

Additionally, several projects are currently utilizing the services of the SRF. These projects are in various stages of the construction or completion phase of the project. Three of the DES eligible projects are classified as EPD Enterprise, while the single exception, the Sanitary Landfill Closure carries a general fund genre. Total indebtedness unamortized as of June 30, 2002 is \$11,455,432, comprised of \$3,146,895 for EPD and CSO projects, and \$8,308,537 for the Sanitary Landfill Closure.

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account asset and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2002 \$15,410,000 of bonds outstanding are considered defeased.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

9. Long-Term Debt (continued)

The Department of Aviation (the “DA”) Enterprise Fund has entered into a twenty year interest rate swap agreement for \$38,340,000 of its variable rate demand general airport revenue bonds. Based on the swap agreement, the DA owes interest calculated at a fixed rate of 4.38% to the counterparty to the swap. In return, the counterparty owes the DA interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The \$38,340,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The DA continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the DA effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on the fixed rate.

At June 30, 2002, the swap agreement resulted in an unfavorable fair value of approximately \$1,763,000, based on dealer quoted prices, and accordingly, the fair value of the swap was recorded in accounts payable and additional interest expense in the related accompanying financial statements.

Manchester Housing and Redevelopment Authority

In March 2000, the Manchester Housing and Redevelopment Authority, New Hampshire the (“MHRA”) issued \$49,772,909 in revenue bonds (the “Bonds”) to finance, in part, the construction of the Manchester Civic Center (now the Verizon Wireless Arena) (the “Arena”). The MHRA is a public body, corporate and politic, established pursuant to Chapter 203 of the New Hampshire Revised Statutes. The MHRA is not a component unit of the City within the meaning of GASB No. 14.

The Bonds issued by the MHRA to finance the construction of the Arena are secured, to a degree, by revenues to be-paid by the City pursuant to a Financing Agreement between the City and the MHRA (the “Financing Agreement”). At the time of the issuance of the Bonds, MHRA assigned all of its rights under the Financing Agreement to a corporate trustee, to be held, in trust, for the benefit of the holders of the Bonds from time to time. Under the terms of the Financing Agreement, the City is to make payment of meals and rooms tax revenues received by it from the State of New Hampshire, pursuant to RSA 78-A:26, but only to the extent that (i) such funds are actually received by the City from this source, in excess of \$454,927 in any given year, and (ii) that the City’s Board of Mayor and Aldermen (the “BMA”) actually appropriates such funds in each year to make such payments. The City’s payments under the Financing Agreement are not secured by its full faith and credit. Moreover, the City is not morally obligated to make any payments under the Financing Agreement. The Financing Agreement stipulates that the Mayor will include an appropriation request in the annual budget submission to the City’s Board of Mayor and Aldermen, payable from the meals and rooms tax imposed by the State and paid to the City in excess of \$454,927 in each fiscal year in an amount sufficient to make the payments required under the Financing Agreement. There is, however, no assurance that the BMA will appropriate such funds on an annual basis or that sufficient meals and rooms tax revenues will be received by the City to make scheduled payments under the Financing Agreement. Pursuant to New Hampshire law, the Bonds do not constitute indebtedness of the City of Manchester.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

9. Long-Term Debt (continued)

In the event that either (i) the City does not receive meals and rooms tax revenues sufficient to make payments under the Financing Agreement, or (ii) that the BMA should determine not to appropriate meals and rooms tax revenues to make payments under the Financing Agreement (each an “Event of Early Termination”), holders of the Bonds may look only to an insurance policy provided American Capital Access Financial Guaranty Corporation for the payment of scheduled installments of principal and interest on the Bonds. An Event of Early Termination does not constitute a default by the City under the Financing Agreement. Holders of the Bonds have no security interest, mortgage, or other claim or interest in the Arena to secure the repayments of the Bonds.

In the event of default, bond reserves initially and subsequent bond insurance arrangements including the exercise of management control of the facility by the insurer will provide remedies for bondholders. In any event, title to the facility always remains with the City of Manchester. Therefore, the Arena is included as an asset on the City’s financial statement. The City treated the donation of the asset from MHRA as a non-exchange transaction and recorded the asset at construction cost as the estimated fair market value at the time of the donation.

Due to the uncertainty of the state meals and rooms tax revenue formula, the City is not including these unknown funds as either revenues or receivables. Similarly, since the non-funding clause in the Financing Agreement provides annual lease payments which are contingent upon the items discussed in the second paragraph, the City has not included any future payments pursuant to the Financing Agreement. Accruals for the general or unspecified business risks (“reserves for general contingencies”) are not permitted per FASB 5. The BMA may at any time, at its sole discretion, decide not to appropriate meals and rooms tax revenue funds.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans

All full-time employees of the City participate in one of the City's pension plans or the New Hampshire Retirement System ("NHRS").

City Plans

The vast majority of employees of the City participate in the City's pension plan known as the New System. Certain employees of the City participate in a prior pension plan known as the Old System. In addition, a limited number of former police and fire department employees covered by the NHRS also qualify for supplementary benefits that are administered and paid for by the City.

SCHEDULE OF PLAN NET ASSETS

	CRS Pension Trust	Old System Pension Trust	Total
Assets			
Cash and cash equivalents	\$ 292,923	\$ 9,861,500	\$ 10,154,423
Investments	85,669,869	10,156,337	95,826,206
Receivables, net of allowances for collection losses	454,538	115,837	570,375
Prepaid items	3,333		3,333
Property and equipment, net where applicable, of accumulated depreciation	121,211		121,211
Total Assets	<u>\$ 86,541,874</u>	<u>\$ 20,133,674</u>	<u>\$ 106,675,548</u>
Liabilities			
Accounts and warrants payable	\$ 112,031		\$ 112,031
Accrued liabilities	643,689		643,689
Due to other funds	<u></u>	<u>\$ 7,275</u>	<u>7,275</u>
Total Liabilities	755,720	7,275	762,995
Net Assets Held in Trust for Pension Benefits	<u>\$ 85,786,154</u>	<u>\$ 20,126,399</u>	<u>\$ 105,912,553</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans (continued)

SCHEDULE OF CHANGES OF PLAN NET ASSETS

	CRS Pension Trust	Old System Pension Trust	Total
Additions			
Contributions			
Employer	\$ 1,135,820	\$ 230,768	\$ 1,366,588
Plan members	1,473,606	-	1,473,606
Contributions	-	20,810,000	20,810,000
Total Contributions	<u>2,609,426</u>	<u>21,040,768</u>	<u>23,650,194</u>
Investment Income (Loss)			
Net depreciation			
in fair value of investments	(6,649,976)	(1,021,585)	(7,671,561)
Interest	871,471	621,280	1,492,751
Dividends	1,334,213		1,334,213
Less investment expense	(342,118)		(342,118)
Net Investment Loss	<u>(4,786,410)</u>	<u>(400,305)</u>	<u>(5,186,715)</u>
Total Additions (Reductions)	<u>(2,176,984)</u>	<u>20,640,463</u>	<u>18,463,479</u>
Deductions			
Benefits paid directly to participants	4,239,493	1,930,614	6,170,107
Refunds of employee contributions	234,255		234,255
Administrative expenses	597,966	234,224	832,190
Total Deductions	<u>5,071,714</u>	<u>2,164,838</u>	<u>7,236,552</u>
Net Increase (Decrease)	(7,248,698)	18,475,625	11,226,927
Net Assets Held in Trust for Pension Benefits			
Beginning of year	93,034,852	1,650,774	94,685,626
End of year	<u>\$ 85,786,154</u>	<u>\$ 20,126,399</u>	<u>\$ 105,912,553</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans (continued)

New System

In 1974, the City established a single-employer public employee retirement system (the "New System") to provide pension benefits to employees other than firefighters, police officers, teachers and employees previously covered under the "Old System" described below. Manchester School District administration employees are covered under this plan.

All covered employees hired after January 1, 1974 are required to participate in the New System as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-1/2% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the years of service prior to January 1, 1999 plus 2% after January 1, 1999 of average compensation multiplied by the years of service after January 1, 1999. There is a minimum benefit of 50% of average compensation for employees hired prior to January 1, 1974 who complete 20 years of service and attain age 62 before retirement or have combined age and years of service over specified amounts. All eligible employees are required to contribute 2-1/2% of their salaries to the New System prior to January 1, 1999 and 3-3/4% of their salaries after January 1, 1999. If an employee leaves covered employment or dies before five years of service, accumulated employee contributions and earnings thereon at rates determined annually by the New System Board of Trustees (5%, for the periods ended June 30, 2001 and 2000) are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provisions and contribution requirements are established by the City and may be amended only by the BMA, subject to approval of the voters of the City through referendum.

Membership in the Plan consisted of the following at December 31, 2001, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	468
Terminated vested members	69
Active members	<u>1,265</u>
Total Participants	<u><u>1,802</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans (continued)

The City's plans, by policy, (i) require annual actuarial valuations, with yearly updates, and (ii) require annual City contributions based on actuarial determinations. During the year of actuarial valuation, the City has historically contributed the annual required contribution ("ARC") of the pension plan. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date, and thus the City has never actually had, or had need to report, a net pension obligation ("NPO").

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2001	\$ 1,117,163	100 %
2000	713,685	100
1999	796,552	100
1998	514,216	100
1997	543,835	100
1996	504,328	100

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Covered Payroll (prior year)
12/31/01	\$ 94,812,631	\$ 1,457,848	\$ 96,270,479	98.5 %	\$ 38,692,738
12/31/00	90,144,513	(3,049,404)	87,095,109	103.5	35,370,961
12/31/99	82,584,305	(3,263,538)	79,320,767	103.0	29,581,577
12/31/98	72,569,967	(1,494,444)	71,075,523	102.1	28,255,208
12/31/97	65,839,177	(4,296,452)	61,542,725	107.0	26,961,375
12/31/96	59,838,164	(3,121,758)	56,716,406	105.5	24,418,320

Investments are reported at fair value based on quoted market rates. Investment income is recognized as earned. Gains and losses on sales and exchange of investments are recognized on the transaction date.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	January 1, 2002
Mortality:	The 1983 Group Annuity Mortality Table
Actuarial Cost Method:	Entry Age
Investment Return:	7.5% per year compounded annually, net of expenses
Compensation Increases:	Under 35 – 5.5%; 35 to 49 – 5%; 50 and over – 4.5%
Amortization Method:	Level percentage closed
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	4.5%
Remaining Amortization Period:	8 years, closed

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans (continued)

Old System

Prior to January 1, 1974, all eligible City employees participated in the Old System, a single employer contributory public employee retirement system (PERS). All employees hired before January 1, 1974 were given the option to remain in the Old System or participate in the New System. The Old System was replaced by the New System and only operates to cover the remaining participants. All employees covered under the Old System are fully vested. Benefits under the Old System are limited to retirement benefits without death benefits to survivors. Benefits are recognized as expenditures of the General Fund on a pay-as-you-go basis. At June 30, 2002, the Old System membership consisted of:

Members currently receiving benefits	146
Active Vested Members	<u>23</u>
Total Members	<u><u>169</u></u>

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30	Annual required contributions	Percentage contributed *
2002	\$ 2,175,245	967.3 %
2001	2,196,055	92.6
2000	2,158,104	93.4
1999	2,048,811	96.8
1998	1,728,000	100.0
1997	1,713,000	100.0

The City's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution	\$2,175,245
Interest on net pension obligation	27,316
Adjustment to annual required contribution	<u>(37,261)</u>
Annual pension cost	2,165,300
Less contributions made	<u>(21,040,768)</u>
Increase in net pension obligation (asset)	(18,875,468)
Net pension obligation (asset) beginning of year	<u>364,220</u>
Net pension obligation (asset) end of year	<u><u>\$(18,511,248)</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans (continued)

Three year trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2002	\$ 2,165,300	967.3 %	\$ (18,511,248)
6/30/2001	2,190,986	92.6	364,220
6/30/2000	2,156,650	93.4	207,430

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2001	\$ -	\$ 21,262,936	\$ 21,262,936	0.00 %	\$ 1,009,090	2,107.14 %
07/01/2000	-	22,085,349	22,085,349	0.00	1,097,032	2,013.19
07/01/1999	-	22,269,566	22,269,566	0.00	1,326,886	1,678.33
07/01/1998	-	22,453,076	22,453,076	0.00	1,417,158	1,584.37
07/01/1997	N/A	N/A	N/A	N/A	N/A	N/A
07/01/1996	-	23,028,460	23,028,460	0.00	1,557,720	1,478.34

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2002
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	16 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50 %
Projected salary increases	4.50 %

NHRS Related Supplementary Benefits Plan

The City pays supplementary benefits of up to 50% of the last annual wage for any City employee who participates in the NHRS, was hired before June 30, 1972, and does not receive a pension benefit from the NHRS equal to at least 50% of the last annual wage. These costs are accounted for on a pay-as-you-go basis in the general fund.

At June 30, 2002, the membership consisted of:

Members currently receiving benefits

58

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

10. Employee Benefit Plans (continued)

New Hampshire Retirement System

The City contributes to the NHRS a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The NHRS provides retirement and disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:1-a of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The NHRS issues a publicly available financial report which can be obtained through the New Hampshire Retirement System at 4 Chennel Drive, Concord, New Hampshire 03301-8509.

NHRS members are required to contribute between 3.86% and 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16 and ranges from 2.18% to 4.87% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the year ended June 30, 2002, 2001, and 2000 were \$1,427,011, \$1,201,022, and \$1,024,022 respectively and were equal to the required contributions. The City has recognized both revenue and expenditures of \$646,212 on behalf of contributions made by the State to the NHRS.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

11. Contingent Liabilities and Insurance

There are various claims and legal actions pending against the City for which provision has been made in the financial statements starting in fiscal year 2002. In the opinion of the City Solicitor and other City officials, liabilities arising from these claims and legal actions, if any, will not be significant.

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be significant.

The City's insurance coverage consists of both self-insured programs and policies maintained with various carriers. Coverage has not been materially reduced nor have settled claims exceeded commercial coverage in any of the past three years.

Changes in the balances of claims liabilities recorded by the City during the past two years are as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2002	\$5,488,269	\$4,344,763	\$3,832,896	\$4,976,402
2001	5,935,793	5,589,905	6,037,429	5,488,269

Accident and Health

Accident and health claims are administered through a private carrier. The City is self-insured under this program. The City maintains a stop-loss policy with limits of \$100,000 per year, per claim and a 115% aggregate for the entire cost. The City has recorded \$905,321 in the General Fund for claim liabilities at year end.

Property

Property insurance is maintained with a commercial insurer and provides for a deductible of \$100,000 for each claim and an overall coverage limit of \$100,000,000.

General Liability

Liability claims are administered through a private carrier. The City is self-insured under this program, except for the Aviation Fund which maintains a liability insurance policy which provides coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. State law generally limits a city's liability for an incident to \$150,000 per individual and \$500,000 per incident. \$2,751,495 was recorded in the government wide statements for fiscal year 2002 as the City's estimated liabilities for unsettled claims.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

11. Contingent Liabilities and Insurance (continued)

Worker's Compensation

Worker's compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees. There is no limit per employee. \$1,918,908 for 2002 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2002 or prior, which have not been settled.

Department of Aviation

The DA has comprehensive airport liability insurance policies with insurance companies, which provide coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. Claims are subject to a deductible of \$1,000 for each occurrence up to a maximum of \$5,000 during any one annual insurance period.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Regulatory

The City was issued an Administrative Order against it by the United States Environmental Protection Agency (EPA), ordering the City to evaluate and plan for appropriate treatment of combined sewer overflows pursuant to the Federal Clean Water Act. The City believes it is in compliance with the Administrative Order and is working with Federal and State authorities in dealing with combined sewer overflows from its publicly-owned treatment works. As of June 30, 2002, there is no pending claim by the EPA or the State.

12. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations required the City to place final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stopped accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. The \$21,509,737 reported as landfill closure and postclosure care liability at June 30, 2002 represents the cumulative amount reported to date based on use of 100 percent of the estimated capacity of the landfill. The City closed the landfill on June 28, 1996. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City anticipates that the funding for the landfill closure costs will be provided through the issuance of general obligation bonds.

13. Fund Deficit

As of June 30, 2002, the CDBG and the Aggregation funds had fund deficits in the amounts of \$30,324, and \$1,600,966, respectively.

The City anticipates financing the deficits through future revenues.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

14. Implementation of New Accounting Pronouncements

As of July 1, 2001, the City adopted the following Governmental Accounting Standards Board pronouncements.

Statements

- No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*.
- No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*.
- No. 37, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.
- No. 38, *Certain Financial Statement Note Disclosures*.

Interpretation

- No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on size of the government) through fiscal years ending in 2005. The City was required to implement the new requirements for the fiscal year ending June 30, 2002.

The more significant of the changes affecting the City as required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental, proprietary and fiduciary funds;
 - Schedules to reconcile certain fund financial statements to the government-wide financial statements; and
 - Notes to the basic financial statements.
 - The City elected to record infrastructure assets on a prospective method.
 - As a result of implementing these pronouncements for the fiscal year ended June 30, 2002, the following restatements were made to beginning fund balance and net asset accounts:

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2002

14. Implementation of New Accounting Pronouncements (continued)

Government-wide financial statements. Beginning net assets for governmental activities was determined as follows:

Fund balances of general, special revenue and capital project funds as of June 30, 2001	\$ 36,659,557
Add: governmental capital assets, including general fixed assets as of June 30, 2001	199,303,213
Deduct: accumulated depreciation as of June 30, 2001 on above governmental capital assets	(94,194,053)
Deduct: general obligation bonds and notes payable as of June 30, 2001	(110,870,443)
Deduct: accrued interest payable on general obligation bonds and other long-term liabilities as of June 30, 2001	(37,017,934)
Add: property tax receivable, deferred revenue and miscellaneous receivables	3,728,043
Governmental activities net assets, restated as of July 1, 2001	<u><u>\$ (2,391,617)</u></u>

Enterprise Funds

The beginning net assets of the enterprise funds was derived by aggregating the previously reported retained earnings and contributed capital of those, as follows:

Retained Earnings, June 30, 2001	\$ 123,469,886
GASB 34 Infrastructure assets	5,699,960
Contributed Capital, June 30, 2001	123,721,430
Net Assets, July 1, 2001	<u><u>\$ 252,891,276</u></u>



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**COMBINING AND INDIVIDUAL
FINANCIAL STATEMENTS AND SCHEDULES**

**General Fund
Comparative Balance Sheets**

**City of Manchester, New Hampshire
June 30, 2002**

	<u>2002</u>	<u>2001</u>
Assets		
Cash and cash equivalents	\$ 58,543,082	\$ 47,172,252
Restricted cash and cash equivalents	5,406,750	339,921
Investments	505,116	1,500,529
Receivables, net of allowances for collection losses	18,614,409	19,711,618
Prepaid items	82,325	
Due from other funds	5,038,627	6,786,143
Inventories	619,177	464,191
Total Assets	<u>\$ 88,809,486</u>	<u>\$ 75,974,654</u>
<u>Liabilities and Fund Equity</u>		
Liabilities		
Accounts and warrants payable	\$ 4,307,092	\$ 3,714,479
Retainage payable	4,532	
Accrued liabilities	2,005,273	1,785,017
Insurance claims payable	905,321	810,705
Due to Manchester School District	18,522,747	7,832,218
Deferred revenue	15,736,535	17,755,361
Taxes collected in advance	25,522,225	24,385,060
Total Liabilities	<u>67,003,725</u>	<u>56,282,840</u>
Fund Equity		
Fund balances		
Designated for		
Workers' compensation	1,253,582	624,424
Health insurance	1,913,932	1,610,823
General liability insurance	1,497,913	1,452,818
Reserved for		
Encumbrances	540,119	1,032,741
Inventory	619,177	464,191
Advances	1,720,166	1,721,117
Revenue stabilization	9,576,915	9,008,623
Unreserved		
Undesignated fund balance	4,683,957	3,777,077
Total Fund Equity	<u>21,805,761</u>	<u>19,691,814</u>
Total Liabilities and Fund Equity	<u>\$ 88,809,486</u>	<u>\$ 75,974,654</u>

**General Fund
Comparative Statements of Revenues,
Expenditures and Changes in Fund Balances**

**City of Manchester, New Hampshire
Year Ended June 30, 2002**

	2002	2001
<u>Revenues</u>		
Taxes	\$ 59,020,928	\$ 58,628,056
Federal and state grants and aid	7,291,673	7,146,789
Nonenterprise charges for sales and services	4,432,086	3,898,497
Licenses and permits	19,744,630	18,432,863
Interest	1,132,648	2,255,766
Other	9,120,585	7,942,319
Total Revenues	100,742,550	98,304,290
<u>Expenditures</u>		
Current:		
General government	18,368,831	17,384,526
Public safety	34,556,506	32,148,521
Health and sanitation	2,711,544	2,620,250
Highway and streets	20,099,068	19,717,326
Welfare	2,146,722	1,401,741
Education	2,258,746	2,184,410
Parks and recreation	3,034,011	2,940,972
Pension Benefit Payments	18,960,260	-
Debt service:		
Principal retirement	11,030,422	10,287,693
Interest	3,565,940	3,586,005
Issue Costs	158,662	
Total Expenditures	116,890,712	92,271,444
Excess of revenues over expenditures	(16,148,162)	6,032,846
<u>Other Financing Sources (Uses)</u>		
Proceeds of refunding bonds	14,150,020	
Payment to refunded bond escrow agent	(13,996,706)	
Proceeds from pension obligation bonds	18,960,260	
Excess pension contributions		
Transfers in	769,277	350,100
Transfers out	(1,620,742)	(2,532,600)
Total Other Financing Sources (Uses)	18,262,109	(2,182,500)
Excess of revenues and other financing sources over expenditures and other financing uses	2,113,947	3,850,346
Fund Balance, beginning of year	19,691,814	15,841,468
Fund Balance, end of year	\$ 21,805,761	\$ 19,691,814

**General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)**

**City of Manchester, New Hampshire
Year Ended June 30, 2002**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Taxes</u>				
Property tax	\$ 56,177,342	\$ 56,177,342	\$ 56,204,972	\$ 27,630
Boat tax	50,000	50,000	40,478	(9,522)
Cable franchise fee	1,074,000	1,074,000	1,106,312	32,312
Cost on deferred tax	20,000	20,000	33,102	13,102
Cost on tax title	15,000	15,000	26,044	11,044
Interest on tax	200,000	200,000	286,151	86,151
Interest on tax lien	400,000	400,000	469,252	69,252
Railroad tax	5,700	5,700	5,313	(387)
Tax lien	50,000	50,000	20,379	(29,621)
Yield tax		-	707	707
Central Business District	205,833	205,833	207,495	1,662
Total Taxes	58,197,875	58,197,875	58,400,205	202,330
<u>Federal and State Grants and Aid</u>				
CIP/federal capital	197,000	197,000	164,431	(32,569)
FEMA			18,638	18,638
Highway block grant	1,452,671	1,452,671	1,538,172	85,501
Home Investment Program			26,538	26,538
Landfill closure	25,000	25,000	23,031	(1,969)
Lieu of tax - Carpenter Center	60,062	60,062	46,810	(13,252)
Lieu of tax - MHRA	144,500	144,500	139,775	(4,725)
Lieu of tax - other	206,900	206,900	263,210	56,310
Meals & rooms tax	454,927	454,927	454,927	
Revenue Sharing Distribution	3,955,713	3,955,713	3,955,713	
Traffic reimbursement	15,000	15,000	14,215	(785)
Total Federal and State Grants and Aid	6,511,773	6,511,773	6,645,460	133,687
<u>Nonenterprise Charges for Sales and Services</u>				
Cemetery - Care of lot and grave	13,000	13,000	23,435	10,435
Cemetery - Cement container	20,000	20,000	28,530	8,530
Cemetery - Internment	90,000	90,000	115,665	25,665
Cemetery - Sale of mausoleum	15,000	15,000	19,500	4,500
City Clerk - Certified record	150,000	150,000	213,316	63,316
City Clerk - Certified record, state share	(89,910)	(89,910)	(139,389)	(49,479)
City Clerk - Late fee	3,500	3,500	3,514	14
City Clerk - Political filing fee	2,000	2,000	3,384	1,384
City Clerk - UCC financing statement	46,250	46,250	29,063	(17,187)
Finance - Wage assignment fee	1,500	1,500	2,008	508
Fire - Alarm permit	186,360	186,360	217,783	31,423
Fire - Central station monitoring	19,200	19,200	27,137	7,937
Fire - Day care inspection	2,000	2,000	750	(1,250)
Fire - False alarm	67,000	67,000	137,688	70,688
Fire - Hazardous inspection fee	20,850	20,850	3,700	(17,150)
Fire - Review of life safety code plan	1,500	1,500	1,500	
Fire - Sprinkler system review	2,000	2,000	3,609	1,609
Fire - Standby fee	300	300	2,193	1,893

(continued)

General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2002
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Nonenterprise Charges for Sales and Services (Continued)</u>				
Fire - Telephone dialer fee	\$ 400	\$ 400	\$ 750	\$ 350
Health - Day care health inspection	1,000	1,000	375	(625)
Health - Immunization reimbursement	2,000	2,000	7,925	5,925
Highway - Bid fee	2,150	2,150	2,390	240
Highway - Delay rent on landfill	6,000	6,000	27,523	21,523
Highway - Drop-off Center	550,000	550,000	652,159	102,159
Highway - Grade certification	1,500	1,500	2,280	780
Highway - Inspection fee	20,000	20,000	23,363	3,363
Highway - Maintenance	3,500	3,500	1,493	(2,007)
Highway - Sewer tap fee	35,000	35,000	34,550	(450)
Highway - Wellington sewer recovery		-	60,092	60,092
Highway - Youngsville sewer recovery		-	34,456	34,456
Human resources - Examination fee	15,000	15,000	13,650	(1,350)
Information systems - Department supplies	725	725	11,031	10,306
Parks - Concessions, rentals, bids	1,000	1,000	4,492	3,492
Parks - Softball fee	1,000	1,000	1,040	40
Planning - Site plan fee	52,000	52,000	81,514	29,514
Planning - Sub-Division fee	15,000	15,000	11,725	(3,275)
Planning - Zoning variance	27,000	27,000	28,300	1,300
Police/Fire - Accident/investigation report	55,200	55,200	57,706	2,506
Police - Auction	10,000	10,000	24,375	14,375
Police - Bicycle fee	100	100		(100)
Police - Booting fee	5,940	5,940	8,945	3,005
Police - Building violation fine	19,000	19,000	9,400	(9,600)
Police - Court parking fine	4,200	4,200	6,020	1,820
Police - District court fine	25,000	25,000	40,339	15,339
Police - Dog pound fee	5,000	5,000	13,425	8,425
Police - Expired meter parking ticket	1,211,686	1,211,686	943,045	(268,641)
Police - Extra detail administrative	76,200	76,200	79,781	3,581
Police - Fingerprint	6,000	6,000	8,365	2,365
Police - Photograph sale	2,600	2,600	4,222	1,622
Police - Towing fine			1,798	1,798
Police - Witness fee	100,100	100,100	81,170	(18,930)
Tax collector - Fee duplicate tax receipt	3,200	3,200	3,722	522
Tax collector - Motor vehicle title fee	48,000	48,000	55,680	7,680
Tax collector - Municipal agent fee	200,000	200,000	189,448	(10,553)
Traffic - Parking downtown meters & reserve	2,174,640	2,174,640	1,145,091	(1,029,549)
Traffic - Parking meter hoods revenue	31,000	31,000	25,162	(5,838)
Various - Bounced check fee	9,350	9,350	10,395	1,045
Various - Research fee	14,670	14,670	21,653	6,983
Various - Photocopy	8,300	8,300	9,850	1,550
Total Nonenterprise Charges for Sales and Services	5,294,011	5,294,011	4,432,086	(861,925)

General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2002
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Licenses and Permits</u>				
Tax collector - Auto registration	\$13,846,000	\$ 13,846,000	\$ 13,738,150	\$ (107,850)
Building - Certificate of compliance	240,000	240,000	268,593	28,593
Building - Building permit	1,070,000	1,070,000	888,800	(181,200)
Building - Electric permit	150,000	150,000	171,032	21,032
Building - Elevator permit	800	800	1,595	795
Building - Heating permit	94,000	94,000	96,832	2,832
Building - Plumbing permit	55,000	55,000	54,147	(853)
Building - Sign permit	18,000	18,000	21,303	3,303
Building - Yard sale permit	6,000	6,000	4,557	(1,443)
City Clerk - Amusement license	30,000	30,000	13,826	(16,174)
City Clerk - Dog license	46,000	46,000	45,218	(783)
City Clerk - Dog license, state share	(4,800)	(4,800)	(4,699)	101
City Clerk - Employment office license	600	600	676	76
City Clerk - Marriage license	40,000	40,000	45,315	5,315
City Clerk - Marriage license, state share	(33,900)	(33,900)	(38,418)	(4,518)
City Clerk - Mechanical device license	150,000	150,000	194,405	44,405
City Clerk - Peddler license	6,500	6,500	12,603	6,103
City Clerk - Second hand license	2,500	2,500	2,348	(152)
City Clerk - Sunday permit	80,000	80,000	86,245	6,245
City Clerk - Taxi license	12,000	12,000	11,160	(840)
Health - Bathing facility permit	5,000	5,000	7,885	2,885
Health - Food permit	121,000	121,000	136,515	15,515
Health - Septic permit	4,000	4,000	4,495	495
Highway - Encumbrance permit	3,000	3,000	3,480	480
Highway - Excavation permit	55,000	55,000	61,100	6,100
Highway - Pipe layer certification	1,000	1,000	1,050	50
Highway - Reclamation trust fund	290,000	290,000	297,973	7,973
Highway - Road Resurfacing	577,000	577,000	566,890	(10,110)
Police - Alarm permit	17,000	17,000	45,915	28,915
Police - Blasting permit	300	300	1,000	700
Police - Game of chance license	100	100		(100)
Police - Gun permit	4,000	4,000	5,589	1,589
Police - Place of assembly permit	25,000	25,000	27,400	2,400
Police - Towing license	12,250	12,250	11,915	(335)
Traffic - Parking lease	3,343,338	3,343,338	2,959,736	(383,602)
Total Licenses and Permits	20,266,688	20,266,688	19,744,630	(522,058)
<u>Interest</u>				
Income from invested funds	1,825,000	1,825,000	1,132,648	(692,352)

General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2002
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Revenues</u>				
Building - Restitution from prior year	\$8,000	\$ 8,000	\$ 2,854	\$ (5,146)
Building - Administration	1,500	1,500	1,472	(28)
Building - Sale of code	2,550	2,550	2,625	75
City Clerk - Building rent	13,200	13,200	15,000	1,800
City Solicitor - Worker's comp. reimb.	300,000	300,000	445,045	145,045
Public Health Improvement reimbursement	351,000	351,000		(351,000)
Finance - Airport reimbursement	50,000	50,000	76,099	26,099
Finance - Debt Recovery Livingston Park	25,000	25,000	25,000	-
Finance - Debt Recovery Riverfront Stadium	71,180	71,180	72,380	1,200
Finance - Bond sale premiums	-	-	63,502	63,502
Health - HIV education reimbursement			69,398	69,398
Health - Immunization reimbursement			49,142	49,142
Health - Lead Poisoning			28,278	28,278
Health - STD reimbursement			29,485	29,485
Health - TB reimbursement			108,066	108,066
Health audit recoveries	2,000,000	2,000,000		(2,000,000)
Highway - Fuel reimbursements	6,500	6,500	9,217	2,717
Highway - Sewer Maintenance WWTP			7,310	7,310
Highway / Traffic - Scrap metal and salvage	3,000	3,000	2,782	(218)
MEDO - Tower leases	42,500	42,500		(42,500)
MEDO - Wall St. Tower refinance	53,313	53,313	53,313	0
Police - Cruiser rental	5,000	5,000	4,871	(129)
Police - Employee Benefits	13,164	13,164	(444)	(13,608)
Tax collector - Excess receipt			75,806	75,806
Traffic - Repair traffic signals admin.	6,700	6,700	6,057	(643)
Easements			4,250	4,250
Traffic - Repair traffic signals labor	7,500	7,500	675	(6,825)
Various - Data processing	42,416	42,416	44,719	2,303
Various - Maps, prints, etc.	9,700	9,700	11,313	1,613
Various - Miscellaneous	36,650	36,650	370,769	334,119
Various - Reimbursement O/T salary	34,133	34,133	32,123	(2,010)
Various - telephone reimb.			8,049	8,049
Welfare - Benefit recoveries	20,000	20,000	91,665	71,665
MSD chargebacks	6,921,627	6,921,627	7,409,766	488,139
Total Other Revenues	10,024,633	10,024,633	9,120,585	(904,048)
Total Revenues	\$ 102,119,980	\$ 102,119,980	\$ 99,475,614	\$ (2,644,366)
Transfers in	350,100	350,100	300,100	(50,000)
Total Transfers in	350,100	350,100	300,100	(50,000)
Total Revenues and Transfers in	\$ 102,470,080	\$ 102,470,080	\$ 99,775,714	\$ (2,694,366)



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General Fund
Statement of Expenditures, Encumbrances and
Other Financing Uses - Budget and Actual (Budget Basis)

	Salaries & Wages	Employee Benefits	Purchased Professional Services	Purchased Property Services	Other Purchased Services
General Government					
Aldermen	\$ 69,375	\$ 60,266			
Assessors	403,229	72,163		\$ 4,100	\$ 9,366
Building	889,362	214,081		3,035	29,443
City Clerk	777,771	157,393		19,438	176,253
City Solicitor	637,639	405,475	\$ 13,000		
Civic Contribution					
Conservation	2,268	96			110
Economic Development Office	192,243	35,642		487	13,975
Elderly Services	175,258	44,412		48,794	3,085
Finance	765,472	141,136	219,589	2,630	33,405
Information Systems	892,376	214,906	11,953	607,576	87,897
Mayor	214,649	47,002		419	6,469
MCTV	229,232	57,335			
Nondepartmental					
Non-city Program					
Human Resources	633,975	583,803	43,606		26,227
Planning	686,945	134,122	14	3,158	18,483
Building Maintenance	625,063	154,977	939	308,058	3,411,575
Tax Collector	477,092	97,516	14,642	2,480	73,442
Youth Services	364,206	75,695	930	17,031	9,712
Total General Government	8,036,155	2,496,020	304,673	1,017,206	3,899,442
Public Safety					
Fire	12,521,501	2,903,820	9,433	368,939	125,763
Police	13,284,987	3,119,372	7,913	236,492	311,245
Total Public Safety	25,806,488	6,023,192	17,346	605,431	437,008
Health and Sanitation					
Health	2,078,210	476,672	15,187	80,663	20,702
Total Health and Sanitation	2,078,210	476,672	15,187	80,663	20,702
Highway and Streets					
Highway	7,309,525	1,978,005	7,318	4,619,585	159,381
Traffic	694,135	167,891	34,380	1,049,665	730,226
Total Highway and Streets	8,003,660	2,145,896	41,698	5,669,250	889,607
Welfare					
Welfare	446,564	86,321	20,493	53,691	66,454
Total Welfare	446,564	86,321	20,493	53,691	66,454
Education					
MSD					
Library	1,488,741	332,761		72,245	49,564
Total Education	1,488,741	332,761		72,245	49,564
Parks and Recreation					
Parks & Recreation	1,717,417	392,536	12,536	86,819	48,557
Total Parks and Recreation	1,717,417	392,536	12,536	86,819	48,557
Debt Service					
Principal retirement					
Interest					
Issue costs					
Total Debt Service					
Total Expenditures	47,577,235	11,953,398	411,933	7,585,305	5,411,334
Other Financing Uses					
Community improvement program					
Total Other Financing Uses					
Total Expenditures and Other Financing Uses	\$ 47,577,235	\$ 11,953,398	\$ 411,933	\$ 7,585,305	\$ 5,411,334

Supplies & Materials	Capital Outlay	Miscellaneous	2002 Total Commitments	2002 Revised Budget	Commitments vs Revised Budget Variance	2002 Original Budget	2001 Total Commitments
\$ 4,608	\$ 3,735	\$ 4,166	\$ 129,641	\$ 152,949	\$ 23,308	\$ 152,949	\$ 115,287
5,737		3,221	501,367	502,580	1,213	524,216	481,846
13,539	16,947	74,293	1,144,879	1,175,974	31,095	1,191,672	1,047,666
20,840		39,792	1,235,634	1,237,082	1,448	1,116,322	936,993
		114,678	1,116,746	1,148,376	31,630	1,147,724	1,259,580
5,067		841	114,678	128,034	13,356	148,034	129,407
1,766		1,272	841	12,890	4,508	13,355	3,440
7,928		79	245,385	260,969	15,584	261,737	238,314
11,232	4,629	90,491	279,556	282,098	2,542	284,035	266,897
50,986	60,987	558	1,268,584	1,271,100	2,516	1,374,569	1,124,335
1,450		16	1,927,239	1,957,465	30,226	1,985,001	1,821,090
		43,735	270,005	274,085	4,080	258,745	243,903
		1,279,912	330,302	354,754	24,452	357,130	325,000
		66,893	1,279,912	3,692,336	2,412,424	3,963,333	1,498,874
12,714	8,637	31,440	66,893	66,893		66,893	195,289
7,704		936	1,340,402	1,778,672	438,270	1,909,724	918,650
342,963	12,212	283,544	851,362	922,809	71,447	1,014,907	826,752
6,767		67	5,139,331	5,604,076	464,745	5,635,732	5,012,913
4,064	490	2,130	672,006	705,734	33,728	759,685	609,980
<u>497,365</u>	<u>107,637</u>	<u>2,038,064</u>	<u>474,258</u>	<u>505,296</u>	<u>31,038</u>	<u>506,428</u>	<u>492,887</u>
			<u>18,396,562</u>	<u>22,034,172</u>	<u>3,637,610</u>	<u>22,672,191</u>	<u>17,549,103</u>
301,142	102,772	32,245	16,365,615	16,704,563	338,948	16,799,638	15,340,077
420,930	39,502	67,763	17,488,204	17,538,922	50,718	17,684,639	16,297,800
<u>722,072</u>	<u>142,274</u>	<u>100,008</u>	<u>33,853,819</u>	<u>34,243,485</u>	<u>389,666</u>	<u>34,484,277</u>	<u>31,637,877</u>
16,897		17,150	2,705,481	2,709,038	3,557	2,733,226	2,414,535
<u>16,897</u>	<u>-</u>	<u>17,150</u>	<u>2,705,481</u>	<u>2,709,038</u>	<u>3,557</u>	<u>2,733,226</u>	<u>2,414,535</u>
1,159,883	101,826	1,015,930	16,351,453	17,151,170	799,717	18,253,199	16,874,958
702,467		5,717	3,384,481	3,386,677	2,196	3,514,237	2,797,496
<u>1,862,350</u>	<u>101,826</u>	<u>1,021,647</u>	<u>19,735,934</u>	<u>20,537,847</u>	<u>801,913</u>	<u>21,767,436</u>	<u>19,672,454</u>
5,745	5,479	1,460,680	2,145,427	2,235,123	89,696	1,461,074	1,379,195
<u>5,745</u>	<u>5,479</u>	<u>1,460,680</u>	<u>2,145,427</u>	<u>2,235,123</u>	<u>89,696</u>	<u>1,461,074</u>	<u>1,379,195</u>
309,461		920	2,253,692	2,297,986	44,294	2,349,374	2,197,153
<u>309,461</u>	<u>-</u>	<u>920</u>	<u>2,253,692</u>	<u>2,297,986</u>	<u>44,294</u>	<u>2,349,374</u>	<u>2,197,153</u>
323,707	52,447	398,963	3,032,982	3,280,789	247,807	3,379,013	2,956,188
<u>323,707</u>	<u>52,447</u>	<u>398,963</u>	<u>3,032,982</u>	<u>3,280,789</u>	<u>247,807</u>	<u>3,379,013</u>	<u>2,956,188</u>
		11,030,422	11,030,422	11,108,201	77,779	10,034,398	10,287,693
		3,565,940	3,565,940	3,882,697	316,757	3,298,349	3,586,005
		158,662	158,662	(158,662)			
		<u>14,755,024</u>	<u>14,755,024</u>	<u>14,990,898</u>	<u>235,874</u>	<u>13,332,747</u>	<u>13,873,698</u>
<u>3,737,597</u>	<u>409,663</u>	<u>19,792,456</u>	<u>96,878,921</u>	<u>102,329,338</u>	<u>5,450,417</u>	<u>102,179,338</u>	<u>91,680,203</u>
		1,620,742	1,620,742	1,640,742	20,000	1,790,742	2,532,600
		<u>1,620,742</u>	<u>1,620,742</u>	<u>1,640,742</u>	<u>20,000</u>	<u>1,790,742</u>	<u>2,532,600</u>
<u>\$ 3,737,597</u>	<u>\$ 409,663</u>	<u>\$ 21,413,198</u>	<u>\$ 98,499,663</u>	<u>\$ 103,970,080</u>	<u>\$ 5,470,417</u>	<u>\$ 103,970,080</u>	<u>\$ 94,212,803</u>



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CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2002

Nonmajor Governmental Funds

Special Revenue Funds are to account for revenues legally restricted for specific expenditures.

HUD Section 108 Fund - to account for Housing Urban Development Programs that qualify for funding under Section 108.

Cash Special Projects Fund - to account for cash funded special programs, administered by City Departments.

CDBG - to account for various Community Development Block Grant funded programs.

Other Grant Fund - to account for all other Federal, State and private grants for special programs administered by City departments.

Civic Center - to account for a portion of the Meals and Rooms Tax distribution from the State of New Hampshire to help fund a City owned civic center.

Revolving Loan Fund - to account for a loan program funded by CDBG funds.

Expendable Trust Fund - to account for contributions and income received from various revenue sources for non-capital and capital reserve funds.

Permanent Funds are to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Trust Fund - to account for assets, contributions and income earned on investments used to maintain the City's cemeteries and endowment funds, as well as for other purposes deemed appropriate by the Trustees.

Library Trust Fund - to account for contributions and income earned on investments used to maintain the City's library. The principal of the Trust is preserved with income used to add to the City's library resources.

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**Nonmajor Governmental Funds
Combining Balance Sheet**

	Special Revenue			
	HUD Section 108 Fund	Cash Special Projects Fund	CDBG Fund	Other Grants Fund
Assets				
Cash and cash equivalents	\$ 177,367	\$ 729,744		\$ 1,409,792
Restricted cash and cash equivalents				494,364
Investments				
Receivables, net of allowances for collection losses	4,424,831		\$ 120,641	576,133
Due from other funds				70,851
Total Assets	\$ 4,602,198	\$ 729,744	\$ 120,641	\$ 2,551,140
Liabilities and Fund Equity				
Liabilities				
Accounts and warrants payable	\$ 2,902,000	\$ 103,275	\$ 135,520	\$ 501,688
Accrued liabilities		5,957	9,209	19,946
Due to other funds	1,700,198		6,236	
Due to City of Manchester				
Deferred revenue				493,903
Other				6,877
Total Liabilities	4,602,198	109,232	150,965	1,022,414
Fund Equity				
Fund balances				
Reserved for				
Encumbrances		41,500	197,995	318,935
Cemetery and other trust funds				
Library				
Unreserved				
Undesignated fund balance		579,012	(228,319)	1,209,791
Total Fund Equity (Deficit)		620,512	(30,324)	1,528,726
Total Liabilities and Fund Equity	\$ 4,602,198	\$ 729,744	\$ 120,641	\$ 2,551,140

Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	
	\$ 1,414	\$ 3,753	\$ 139,513	\$ 48,284	\$ 2,509,867
	149,854			304,932	949,150
		1,693,362	12,032,856	2,313,864	16,040,082
\$ 175,000		6	52	16,191	5,312,854
					70,851
\$ 175,000	\$ 151,268	\$ 1,697,121	\$ 12,172,421	\$ 2,683,271	\$ 24,882,804
					\$ 3,642,483
	\$ 10,836				45,948
		456,784	\$ 304,159		2,467,377
			34,000		34,000
					493,903
					6,877
	10,836	456,784	338,159		6,690,588
					558,430
			11,834,262		11,834,262
				\$ 2,683,271	2,683,271
\$ 175,000	140,432	1,240,337			3,116,253
175,000	140,432	1,240,337	11,834,262	2,683,271	18,192,216
\$ 175,000	\$ 151,268	\$ 1,697,121	\$ 12,172,421	\$ 2,683,271	\$ 24,882,804

Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances

		Special Revenue		
	HUD Section 108 Fund	Cash Special Projects Fund	CDBG Fund	Other Grant Fund
<u>Revenues</u>				
Federal and state grants and aid			\$ 4,730,889	\$ 5,180,057
Nonenterprise charges for sales and services				151,458
Interest				9,782
Contributions				
Net loss on sale of securities				
Other				1,430,334
Total Revenues			4,730,889	6,771,631
<u>Expenditures</u>				
Current:				
General government		\$ 660,384	3,477,374	2,176,883
Public safety		39,564	(11,167)	1,349,988
Health and sanitation		35,348	31,102	714,388
Highway and streets		862,396	172,763	250,543
Welfare		1,000		96,140
Education		34,868		487,544
Parks and recreation		366,859	993,152	622,891
Pension Benefit Payments				
Cemetery Trust				
Investment management fee				
Total Expenditures		2,000,419	4,663,224	5,698,377
Excess (deficiency) of revenues over expenditures		(2,000,419)	67,665	1,073,254
<u>Other Financing Sources (Uses)</u>				
Transfers in		1,620,742		
Transfers out		(469,177)		
Total Other Financing Sources (Uses)		1,151,565		
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses		(848,854)	67,665	1,073,254
Fund Balance (Deficit), beginning of year		1,469,366	(97,989)	455,472
Fund Balance (Deficit), end of year	\$ -	\$ 620,512	\$ (30,324)	\$ 1,528,726

City of Manchester, New Hampshire
Year Ended June 30, 2002

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust	Cemetery Trust	Library Trust	Total
\$ 2,333,424					\$ 12,244,370
					151,458
		\$ 89,728	\$ 796,536	\$ 93,494	989,540
			112,280	13,773	126,053
		(183,386)	(1,153,019)	(130,383)	(1,466,788)
175,000					1,605,334
2,508,424		(93,658)	(244,203)	(23,116)	13,649,967
2,333,424	\$ 7,160	74,473			8,729,698
					1,378,385
					780,838
					1,285,702
					97,140
				66,243	588,655
					1,982,902
					-
			25,309		25,309
			4,333	15,371	19,704
2,333,424	7,160	74,473	29,642	81,614	14,888,333
175,000	(7,160)	(168,131)	(273,845)	(104,730)	(1,238,366)
					1,620,742
			(300,100)		(769,277)
			(300,100)		851,465
175,000	(7,160)	(168,131)	(573,945)	(104,730)	(386,901)
	147,592	1,408,468	12,408,207	2,788,001	\$18,579,117
\$ 175,000	\$ 140,432	\$ 1,240,337	\$ 11,834,262	\$ 2,683,271	\$ 18,192,216



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CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2002

Enterprise Funds - to account for the operations of the City that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis will be recovered or financed primarily through user charges.

Recreation Fund - to account for certain operations of the Parks and Recreation Department related to the revenue generating recreational facilities owned by the City. These facilities included a ski area, a golf course, a stadium and two ice skating rinks.

Aggregation Fund - to account for revenues and expenditures incurred in procuring energy services for the City.

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Nonmajor Proprietary Funds
Combining Statement of Net Assets

City of Manchester, New Hampshire
June 30, 2002

	Business-type Activities-Enterprise Funds		
	Non-Major		
	Recreation Fund	Aggregation Fund	Total
Assets			
Current assets:			
Receivables, net of allowances for collection losses	\$ 159,911	\$ 33,948	\$ 193,859
Inventories		5,908	5,908
Total current assets:	<u>159,911</u>	<u>39,856</u>	<u>199,767</u>
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	4,086,678	148,047	4,234,725
Other assets		77,857	77,857
Total noncurrent assets:	<u>4,086,678</u>	<u>225,904</u>	<u>4,312,582</u>
Total Assets	<u>\$ 4,246,589</u>	<u>\$ 265,760</u>	<u>\$ 4,512,349</u>
Liabilities			
Current liabilities			
Accounts and warrants payable	\$ 87,659		\$ 87,659
Accrued liabilities	8,700	\$ 95,024	103,724
Due to other funds	228,982	1,720,166	1,949,148
Bonds and notes payable - City	126,600	25,000	151,600
Compensated absences	128,972	1,536	130,508
Other	22,050		22,050
Total Current liabilities	<u>602,963</u>	<u>1,841,726</u>	<u>2,444,689</u>
Noncurrent liabilities			
Bonds payable	946,000	25,000	971,000
Deferred Revenue	13,428		13,428
Total Noncurrent liabilities	<u>959,428</u>	<u>25,000</u>	<u>984,428</u>
Total Liabilities	<u>1,562,391</u>	<u>1,866,726</u>	<u>3,429,117</u>
Net Assets			
Invested in Capital Assets, net of related debt	3,014,078	98,047	3,112,125
Unreserved	(329,880)	(1,699,013)	(2,028,893)
Total Net Assets	<u>\$ 2,684,198</u>	<u>\$ (1,600,966)</u>	<u>\$ 1,083,232</u>

Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets (Deficits)

City of Manchester, New Hampshire
Year Ended June 30, 2002

	Business-type Activities-Enterprise Funds		
	Recreation Fund	Aggregation Fund	Total
<u>Operating Revenues</u>			
Charges for goods and services	\$ 2,224,175	\$ 81,224	\$ 2,305,399
Other	822		822
Total Operating Revenues	2,224,997	81,224	2,306,221
<u>Operating Expenses</u>			
Personnel services	1,391,144	42,109	1,433,253
Plant maintenance	105,137		105,137
Light/heat and power	246,882		246,882
General and administrative	223,888	12,438	236,326
Depreciation and amortization	265,334	46,737	312,071
Total Operating Expenses	2,232,385	101,284	2,333,669
Operating Income (Loss)	(7,388)	(20,060)	(27,448)
<u>Non-Operating Revenues (Expenses), net</u>			
Interest income	3,620		3,620
Interest expense	(54,007)	(45,797)	(99,804)
Rent and other income	23,310		23,310
Gain (Loss) on disposal of fixed assets	(12,996)	3,827	(9,169)
Total Non-operating Revenues (Expenses)	(40,073)	(41,970)	(82,043)
Change in Net Assets	(47,461)	(62,030)	(109,491)
Fund Net Assets (Deficit), beginning of year	2,731,659	(1,538,936)	1,192,723
Fund Net Assets (Deficit), beginning of year	2,731,659	(1,538,936)	1,192,723
Fund Net Assets (Deficit), end of year	\$ 2,684,198	\$ (1,600,966)	\$ 1,083,232

Nonmajor Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2002

	Business-type Activities-Enterprise Funds		
	Recreation Fund	Aggregation Fund	Total
<u>Cash Flows from Operating Activities</u>			
Cash received from customers	\$ 2,273,485	\$ 129,688	\$ 2,403,173
Cash payments for goods and services	(576,149)	(15,691)	(591,840)
Cash payments to employees for services	(1,363,048)	(42,049)	(1,405,097)
Other operating revenues	23,310		23,310
Net Cash Provided by Operating Activities	357,598	71,948	429,546
<u>Cash Flows from Non-Capital and Related Financing Activities</u>			
Interest paid on cash advances		(42,703)	(42,703)
Short-term cash advance from City	228,982	(951)	228,031
Net Cash Provided by Non-Capital & Related Financing Activities	228,982	(43,654)	185,328
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal paid on bonds	(126,600)	(30,000)	(156,600)
Interest paid on bonds	(54,007)	(3,294)	(57,301)
Acquisition and construction of capital assets	(983,247)		(983,247)
Proceeds from sale of equipment		5,000	5,000
Net Cash Used in Capital & Related Financing Activities	(1,163,854)	(28,294)	(1,192,148)
<u>Cash Flows from Investing Activities</u>			
Interest and dividends from investments	3,620		3,620
Net Cash Provided (Used) by Investing Activities	3,620	-	3,620
Net Decrease in Cash and Cash Equivalents	(573,654)	-	(573,654)
Cash and Cash Equivalents at Beginning of Year	573,654	-	573,654
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ -
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>			
Operating income (loss)	\$ (7,388)	\$ (20,060)	\$ (27,448)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	265,334	46,737	312,071
Non-operating revenue	23,310		23,310
Change in Assets and Liabilities			
(Increase) decrease in receivables	44,299	(19,748)	24,551
(Decrease) in accounts payable	(322)	(3,253)	(3,575)
Increase (decrease) in accrued liabilities	21,339	69,675	91,014
Increase (decrease) in compensated absences	6,047	(1,403)	4,644
Increase in Deferred Revenue	4,979		4,979
Net Cash Provided by Operating Activities	\$ 357,598	\$ 71,948	\$ 429,546



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CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2002

Governmental Capital Assets - Capital assets of the City used in the operation not related to specific proprietary or trust funds.

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Governmental Capital Assets
Schedule of Capital Assets - By Source

City of Manchester, New Hampshire
June 30, 2002

Capital Assets

Land	\$ 18,365,631
Buildings	168,715,492
Improvements other than buildings	13,990,266
Equipment	4,906,664
Work-in-Process	17,544,172
Vehicles	15,038,936
Infrastructure	33,741,900

Total Capital Assets	<u>\$ 272,303,061</u>
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Investments in Capital Assets

Capital project funds	\$ 222,213,413
General fund revenues	26,190,714
Special revenue funds	23,898,934

Total Investments in Capital Assets	<u>\$ 272,303,061</u>
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	Land	Buildings	Improvements other than buildings	Equipment	Vehicles	Infrastructure	Total
<u>General Government</u>							
Assessors				\$ 5,985	\$ 115,176		\$ 121,161
Building				38,001	37,840		166,145
City Clerk		\$ 90,304		5,115			5,115
City Solicitor							65,700,698
Civic Center	\$ 2,960,900	62,739,798		5,294			4,114,725
Economic Development Office	4,109,431						-
Elderly Services							130,775
Finance	105,000			25,775			437,766
Information Systems				423,391	14,375		19,495
Mayor					19,495		-
Personnel							845,994
Planning	44,714	768,974		32,306			8,692,173
Public Buildings	437,250	7,888,750		22,506	343,667		-
Tax Collector							-
Youth Services							-
Total General Government	7,657,295	71,487,826	-	558,373	530,553	-	80,234,047
<u>Public Safety</u>							
Fire Protection	661,291	4,621,151	\$ 55,714	432,410	5,621,237		11,391,803
Police Protection	96,115	3,445,944	52,716	277,176	813,729		4,685,680
Total Public Safety	757,406	8,067,095	108,430	709,586	6,434,966	-	16,077,483
<u>Health and Sanitation</u>							
Cemetery	71,255	298,604		308,233	374,977		1,053,069
Health				41,943	210,445		252,388
Total Health and Sanitation	71,255	298,604	-	350,176	585,422	-	1,305,457
<u>Highway and Streets</u>							
Highway	108,104	1,270,028	800,565	576,541	6,301,103	\$ 33,741,900	42,798,241
Traffic	3,687,950	15,642,972	1,736,206	211,362	348,444		21,626,934
Total Highway and Streets	3,796,054	16,913,000	2,536,771	787,903	6,649,547	33,741,900	64,425,175
<u>Welfare</u>							
Welfare	27,488	109,955					137,443
Total Welfare	27,488	109,955	-	-	-	-	137,443
<u>Education</u>							
High School Athletics							-
Library	72,270	1,334,211		110,198			1,516,679
School	1,609,845	67,548,783	1,835,615				70,994,243
Total Education	1,682,115	68,882,994	1,835,615	110,198	-	-	72,510,922
<u>Parks and Recreation</u>							
Parks & Recreation	4,374,018	2,956,018	9,509,450	2,390,428	838,448		20,068,362
Total Parks and Recreation	4,374,018	2,956,018	9,509,450	2,390,428	838,448	-	20,068,362
Construction in Progress		15,434,507	2,109,665				17,544,172
Total General Fixed Assets Allocated to Functions	\$ 18,365,631	\$ 184,149,999	\$ 16,099,931	\$ 4,906,664	\$ 15,038,936	\$ 33,741,900	\$ 272,303,061

Governmental Capital Assets
Schedule of Changes in Capital Assets - By Function and Activity

City of Manchester, New Hampshire
Year Ended June 30, 2002

	Capital Assets Beginning of Year as restated	Additions	Deductions	Transfers	Capital Assets End of Year
<u>General Government</u>					
Building	\$ 139,797		\$ (18,636)		\$ 121,161
City Clerk	203,698	\$ 27,048	(64,601)		166,145
City Solicitor	5,115				5,115
Civic Center	-	65,700,698			65,700,698
Economic Development Office	4,114,725				4,114,725
Finance	141,114			\$ (10,339)	130,775
Information Systems	1,295,886	135,594	(1,010,128)	16,414	437,766
Mayor	19,495				19,495
Personnel	5,000		(5,000)		
Planning	845,994				845,994
Public Buildings	6,585,419	2,335,708	(33,063)	(195,891)	8,692,173
Tax Collector	5,332		(5,332)		
Youth Services	6,075			(6,075)	
Total General Government	13,367,650	68,199,048	(1,136,760)	(195,891)	80,234,047
<u>Public Safety</u>					
Fire Protection	11,407,503		(27,700)	12,000	11,391,803
Police Protection	4,987,597	-	(301,117)	\$ (800)	4,685,680
Total Public Safety	16,395,100		(328,817)	11,200	16,077,483
<u>Health and Sanitation</u>					
Cemetery	862,073	213,440	(63,355)	40,911	1,053,069
Health	272,641		(20,253)		252,388
Total Health and Sanitation	1,134,714	213,440	(83,608)	40,911	1,305,457
<u>Highway and Streets</u>					
Highway	41,668,706	1,335,379	(655,830)	449,986	42,798,241
Traffic	21,697,167	49,767	(120,000)		21,626,934
Total Highway and Streets	63,365,873	1,385,146	(775,830)	449,986	64,425,175
<u>Welfare</u>					
Welfare	137,443				137,443
Total Welfare	137,443				137,443
<u>Education</u>					
Library	1,516,679	-			1,516,679
School	70,841,129		-	153,114	70,994,243
Total Education	72,357,808			153,114	72,510,922
<u>Parks and Recreation</u>					
Parks & Recreation	11,326,283	6,306,154	(574,754)	3,010,679	20,068,362
Total Parks and Recreation	11,326,283	6,306,154	(574,754)	3,010,679	20,068,362
Construction in Progress	21,218,342	2,241,594	(2,445,765)	(3,469,999)	17,544,172
Total General Fixed Assets Allocated to Functions	\$ 199,303,213	\$ 78,345,382	\$ (5,345,534)	\$ -	\$ 272,303,061



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STATISTICAL SECTION



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General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Health and Sanitation	Highway and Streets	Welfare
1992	\$ 13,513,627	\$ 23,169,625	\$ 2,397,552	\$ 11,559,540	\$ 1,287,494
1994 (2)	23,632,081	35,347,208	3,584,951	20,668,958	1,799,492
1995	13,024,281	23,949,556	2,412,168	13,238,142	1,089,981
1996	14,047,737	24,822,918	2,356,684	14,468,980	1,118,771
1997	11,878,493	25,163,363	2,451,268	16,126,906	1,035,032
1998	11,469,775	27,063,571	2,544,046	16,538,533	1,524,002
1999	15,082,402	28,775,663	1,984,397	17,426,902	932,944
2000	17,751,003	29,689,148	2,304,060	18,505,080	1,213,010
2000 (4)					
2000	17,751,003	29,689,148	2,304,060	18,505,080	1,213,010
2001	17,384,526	32,148,521	2,620,250	19,717,326	1,401,741
2001 (4)					
2001	17,384,526	32,148,521	2,620,250	19,717,326	1,401,741
2002	18,368,831	34,556,506	2,711,544	20,099,068	2,146,722
2002 (4)					
2002	18,368,831	34,556,506	2,711,544	20,099,068	2,146,722

Notes

- (1) Includes the General Fund only prepared using GAAP basis.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) Beginning in fiscal 1995 many recreation functions were accounted for in the Enterprise Fund.
- (4) MSD is included as a governmental discrete component unit beginning in fiscal year 2002.
- (5) City and MSD combined school chargebacks , were not allocated to school department from other general fund departments prior to this year.

City of Manchester, New Hampshire
Table I

Education	Parks and Recreation	Debt Service	Total Expenditures
\$ 60,590,951	\$ 2,558,570	\$ 9,893,001	\$ 124,970,360
94,826,842	3,779,205	17,505,727	201,144,464
65,080,717	1,088,965	(3) 15,501,374	135,385,184
70,883,458	1,166,400	15,290,065	144,155,013
69,740,141	1,158,885	16,872,450	144,426,538
78,409,488	1,169,744	16,164,151	154,883,310
79,988,320	2,411,070	19,733,680	166,335,378
3,049,175	2,790,074	13,522,285	88,823,835
107,809,716 (5)		8,407,080	116,216,796
110,858,891	2,790,074	21,929,365	205,040,631
2,184,410	2,940,972	13,873,698	92,271,444
108,250,789		8,194,461	116,445,250
110,435,199	2,940,972	22,068,159	208,716,694
2,258,746	3,034,011	14,755,024	97,930,452
128,526,953		-	128,526,953
130,785,699	3,034,011	14,755,024	226,457,405

General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	Taxes	Federal and State	Charges for Sales and Services	Licenses and Permits
1992	\$ 96,384,724	\$ 11,298,841	\$ 10,383,221	\$ 7,866,756
1994 (2)	100,952,145	17,704,791	17,388,372	13,116,970
1995	95,650,105	13,191,242	10,795,404	10,192,255
1996	100,570,543	13,645,131	11,120,727	11,120,727
1997	103,951,582	14,354,349	11,578,643	13,802,836
1998	107,223,578	18,769,545	13,711,063	14,129,835
1999	117,348,501	17,963,054	14,138,976	14,969,847
2000	60,190,452	7,302,746	3,615,039	16,212,440
2000 (3)	23,167,248 (4)	71,911,186	13,458,205	-
2000	83,357,700	79,213,932	17,073,244	16,212,440
2001	58,628,056	7,146,789	3,898,497	18,432,863
2001 (3)	26,968,740 (4)	72,758,132	15,689,722	-
2001	85,596,796	79,904,921	19,588,219	18,432,863
2002	59,020,928	7,291,673	4,432,086	19,744,630
2002 (3)	27,046,973 (4)	84,367,190	15,266,844	-
2002	86,067,901	91,658,863	19,698,930	19,744,630

Notes

- (1) Includes the General Fund only using GAAP basis.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.
- (4) The City issues a combined property tax bill for both local and state funding.
The State portion is included in federal and state.

Interest	Other	Total Revenues
\$ 569,787	\$ 1,446,946	\$ 127,950,275
1,752,094	5,086,908	156,001,280
1,856,668	3,200,885	134,886,559
2,426,075	2,969,759	141,852,962
2,342,522	3,100,525	149,130,457
2,008,604	1,403,320	157,245,945
1,989,669	1,384,046	167,794,093
2,548,473	6,655,281	96,524,431
-	5,626,537	114,163,176
2,548,473	12,281,818	210,687,607
2,255,766	7,942,319	98,304,290
443,944	1,153,134	117,013,672
2,699,710	9,095,453	215,317,962
1,132,648	9,120,585	100,742,550
202,593	76,678	126,960,278
1,335,241	9,197,263	227,702,828

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)
1992	\$ 104,807,584	\$ 90,504,074	86.35%	\$ 16,443,970
1994 (2)	105,408,690	100,530,691	95.37%	16,428,716
1995	106,908,274	102,767,174	96.13%	7,196,199
1996	106,457,759	103,886,028	97.58%	4,683,658
1997	113,630,813	110,590,166	97.32%	3,464,940
1998	114,851,627	112,425,511	97.89%	2,869,480
1999	120,680,494	117,945,857	97.73%	4,035,991
2000	67,984,582			
2000 (3)	47,634,400			
2000	<u>115,618,982</u>	113,614,291	98.56%	2,539,282
2001	63,738,811			
2001 (3)	52,484,694			
2001	<u>116,223,505</u>	114,648,459	98.64%	2,355,346
2002	66,132,649			
2002 (3)	55,489,470			
2002	<u>121,622,119</u>	120,213,115	98.84%	2,188,790

Notes

- (1) Actual collections of levy, including additional warrants (less refunds), and amounts refundable, including proceeds from tax titles, possessions, abatements and other credits.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

Total Tax Collections (1)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
\$ 106,948,044	102.04%	\$ 23,111,800	22.05%
116,959,407	110.96%	11,561,083	10.97%
109,963,373	102.86%	8,505,985	7.96%
108,569,686	101.98%	6,394,058	6.01%
114,055,106	100.37%	5,969,765	5.25%
115,294,991	100.39%	5,526,401	4.81%
121,981,848	101.08%	4,225,047	3.50%
116,153,574	100.64%	3,690,455	2.82%
117,003,805	100.67%	2,910,155	2.50%
122,401,905	100.64%	2,130,369	1.75%

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	RESIDENTIAL REAL PROPERTY		NON-RESIDENTIAL REAL PROPERTY	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
1992	\$ 2,179,653,000	\$ 1,951,464,973	\$ 1,666,868,000	\$ 1,538,463,493
1994 (3)	2,181,699,800	1,885,184,683	1,591,546,500	1,417,626,676
1995	2,189,624,800	1,832,332,667	1,546,090,000	1,333,994,744
1996	2,207,856,400	1,843,933,159	1,470,693,500	1,267,839,224
1997	2,236,972,700	1,928,424,741	1,455,775,600	1,254,978,966
1998	2,259,471,600	1,984,603,953	1,465,117,900	1,286,884,409
1999	2,282,638,700	2,037,888,314	1,521,938,800	1,358,752,611
2000	2,304,804,600	2,093,183,725	1,557,536,400	1,414,527,654
2001	2,336,235,300	2,157,786,367	1,560,443,200	1,441,251,686
2002 (4)	3,144,786,262	2,953,682,974	2,123,426,704	1,994,389,691

Notes

- (1) Exemptions for the blind and elderly.
- (2) Amounts shown are net taxable assessed values after deducting exemptions for the blind and elderly.
- (3) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion
- (4) Reflects the new assessed valuation determined through a Citywide valuation.

City of Manchester, New Hampshire
Table IV

Exemptions (1)	TOTAL		Ratio of Total Assessed Value to Total Estimated Market Value
	Assessed Value (2)	Estimated Market Value	
\$ 65,313,250	\$ 3,781,207,750	\$ 3,489,928,466	108.35%
65,233,500	3,708,012,800	3,302,811,359	112.27%
65,964,850	3,669,749,950	3,166,327,411	115.90%
67,420,550	3,611,129,350	3,111,772,383	116.05%
68,416,750	3,624,331,550	3,183,403,707	113.85%
60,331,000	3,664,258,500	3,271,488,362	112.01%
64,695,250	3,739,882,250	3,396,640,925	110.11%
64,609,150	3,797,731,850	3,507,711,379	108.27%
64,874,250	3,831,804,250	3,599,038,053	106.47%
113,152,500	5,155,060,466	4,948,072,665	104.18%

**Special Assessment Billings and Collection -
Central Business District
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Assessment Billings</u>	<u>Current Collections</u>	<u>Percent of Billings Collected</u>	<u>Delinquent Assessment Collections</u>
1992	\$31,624	\$ 17,202	54.40%	\$ 10,170
1994 (1)	35,577	35,577	100.00%	14,422
1995	40,600	40,600	100.00%	-
1996	180,374	180,108	99.85%	-
1997	150,272	149,300	99.35%	164
1998	167,176	155,238	92.86%	-
1999	223,818	222,206	99.28%	11,958
2000	221,289	218,844	98.90%	2,432
2001	205,833	204,208	99.21%	1,505
2002	207,495	192,415	92.73%	2,819

Notes

(1) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

<u>Total Collections</u>	<u>Total Collections as a Percent of Total Billings</u>	<u>Outstanding Delinquent Assessments</u>	<u>Ratio of Delinquent Assessments to Total Billings</u>
\$ 27,372	86.55%	\$ 14,422	45.60%
49,999	140.54%	-	0.00%
40,600	100.00%	-	0.00%
180,108	99.85%	266	0.15%
149,464	99.46%	1,074	0.71%
155,238	92.86%	13,032	7.80%
234,164	104.62%	2,686	1.20%
221,276	99.99%	2,699	1.22%
205,713	99.94%	2,819	1.37%
195,234	94.09%	15,080	7.27%

REAL PROPERTY TAX RATES

Fiscal Year	Rate per thousand (1)				Total
	City	School Local	School State	County	
1992	\$ 11.38	\$ 14.29		\$ 2.11	\$ 27.78
1994	4.20	22.24		2.11	28.55 (2)
1995	10.93	15.73		2.00	28.66
1996	10.29	17.32		2.02	29.63
1997	11.37	17.42		2.05	30.84
1998	11.88	17.31		1.97	31.16
1999	12.17	18.47		1.91	32.55
2000	15.53	6.10	\$ 6.94	1.92	30.49 (3)
2001	14.74	7.04	6.86	2.04	30.68
2002	11.26	5.25	5.66	1.65	23.82 (4)

Notes

- (1) Rates are based on assessed value of property. Assessment rate for real property is 100% percent.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) Beginning in 2000, Rate includes Statewide tax for education.
- (4) 2002 tax rate reflects the new assessed valuation determined through a Citywide valuation.

Base Valuation - Real Estate (1) **\$ 5,952,027,109**

Legal Debt Limit (City):

9.75% of Base Valuation \$ 580,322,643

Amount of Debt Applicable to Legal Debt Limit:

Total Bonded Debt for General Government	(2) \$ 135,787,560	
Recreation Enterprise Debt	1,072,600	
Aggregation Enterprise Debt	50,000	
Less: Debt for Fiscal Year Conversion	(9,696,425)	
Less: Debt for Urban Redevelopment	(3,463,543)	
Less: Debt for Parking Facilities	(3,386,657)	
Less: Debt for Pension Obligation Bonds	(17,876,657)	102,486,878

Legal Debt Limit - City **\$477,835,765**

Legal Debt Margin:

Percent of:

Legal Debt Margin Outstanding	17.7%
Legal Debt Margin Available	82.3%
	100.0%

Legal Debt Limit (School):

7% of Base Valuation \$ 416,641,898

Amount of Debt Applicable to Legal Debt Limit:

Bonded Debt for School District	\$ 47,667,321	
Less: Debt for fiscal year conversion	(5,042,141)	
Less: Debt for Pension Obligation Bonds	(70,802)	42,554,378

Legal Debt Limit - School **\$ 374,087,520**

Legal Debt Margin:

Percent of:

Legal Debt Margin Outstanding	10.2%
Legal Debt Margin Available	89.8%
	100.0%

Legal Debt Limit (Water and Waste Water):

10% of Base Valuation \$ 595,202,711

Amount of Debt Applicable to Legal Debt Limit:

Debt for water projects	\$ 11,123,043	
Debt for sewer projects	38,681,365	49,804,408

Legal Debt Limit - Water & Wastewater **\$ 545,398,303**

Legal Debt Margin:

Percent of:

Legal Debt Margin Outstanding	8.4%
Legal Debt Margin Available	91.6%
	100.0%

Summary of Base Valuation:

2001 Net Local Assessed Valuation	\$ 5,268,212,966
State of New Hampshire Dept. of Revenue Administration Inventory Adjustment	501,323,070
State of New Hampshire Dept. of Revenue Administration Shared Revenue Adjustment	182,491,073
	\$ 5,952,027,109

- (1) The general debt limit of the City is 9.75% of base valuation. The base valuation for computing the debt limit is determined by adding the amount of taxable property lost to cities, towns and districts as a result of the enactment of the State Business Profit Tax Law to the "equalize assessed valuation". Not more than 7% of the base valuation may be incurred for school purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's debt limit.
- The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements.
- (2) The total bonded debt for general government includes the School District portion.

**Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Debt Payable from Enterprise Revenues
1992	99,567	\$ 3,781,207,750	\$ 122,330,478	\$ 64,425,408
1994 (3)	101,039	3,708,012,800	175,916,541	64,160,633
1995	100,668	3,669,749,950	183,319,614	81,919,281
1996	101,900	3,611,129,350	201,193,606	83,240,962
1997	102,675	3,624,331,550	185,624,973	79,118,458
1998	103,330	3,664,258,500	196,451,555	75,198,876
1999	105,221	3,739,882,250	303,770,286	196,421,507
2000	106,180	3,797,731,850	381,830,519	254,435,951
2001	107,297	3,831,804,250	371,180,560	260,310,117
2002	108,078	5,155,060,466	467,614,567	331,827,007

Notes

- (1) Population figures acquired from State of New Hampshire, Planning Department.
- (2) From Table IV.
- (3) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Net General Obligation Bonded Debt Per Capita
\$ 57,905,070	1.53%	\$ 582
111,755,908	3.01%	1,106
101,400,333	2.76%	1,007
117,952,644	3.27%	1,158
106,506,515	2.94%	1,037
121,252,679	3.31%	1,173
107,348,779	2.87%	1,020
127,394,568	3.35%	1,200
110,870,443	2.89%	1,033
135,787,560	2.63%	1,256

**Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years**

**City of Manchester, New Hampshire
Table IX**

Fiscal Year	Total General Governmental Expenditures (City/MSD)	Bonded Debt Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1992	\$ 124,970,360	\$ 9,893,001	7.92%
1994 (3)	201,144,464	17,505,727	8.70%
1995	135,385,184	15,501,374	11.45%
1996	144,155,013	15,290,065	10.61%
1997	144,426,538	16,872,450	11.68%
1998	154,883,310	16,164,151	10.44%
1999	166,335,378	19,733,680	11.86%
2,000	88,823,835	13,522,285	
2,000 (4)	100,643,360	8,477,713	
2,000	189,467,195	21,999,998	11.61%
2001	92,271,444	13,873,698	
2001 (4)	104,032,817	8,194,461	
2001	196,304,261	22,068,159	11.24%
2002	97,930,452	14,596,362	
2002 (4)	112,773,899	8,439,589	
2002	210,704,351	23,035,951	10.93%

Notes

- (1) Includes the General Fund only.
- (2) General obligation bonds reported in enterprise funds have been excluded.
- (3) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (4) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

DIRECT DEBT:

School	\$ 42,554,378
Parking Facilities	17,876,657
Urban renewal	3,463,543
Fiscal Year Conversion	9,696,425
Other	<u>62,196,557</u>
	<u>\$ 135,787,560</u>

OVERLAPPING DEBT:

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>City Estimated Share (1)</u>	
		<u>%</u>	<u>\$ Amount</u>
Hillsborough County (2)	\$ 1,400,000	21.89%	\$ 306,460

Notes

- (1) Estimated share and dollar amount of outstanding debt based upon City's share of total 2001 assessments to member communities.
- (2) Source: Hillsborough County Treasurer. Share varies on basis of most recent equalized assessed valuation as determined by the State Department of Revenue Administration of New Hampshire. Estimated share shown here is based on the 2000 equalized assessed valuation.

**Revenue Bond Coverage
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Net Revenue Available for 1992 Debt Service</u>
1992	\$ 5,141,217	\$ 3,537,079	N/A
1994 (2)	9,143,656	7,276,891	\$ 1,866,765
1995	8,898,791	5,710,017	3,188,774
1996	9,327,954	5,989,549	3,338,405
1997	10,464,648	6,335,497	4,129,151
1998	11,586,104	6,459,977	5,126,127
1999	21,831,476	11,136,557	10,694,919
2000	25,347,377	13,336,522	12,010,855
2001	32,183,363	13,909,243	18,274,120
2002	33,773,230	14,923,309	18,849,921

Notes

- (1) Exclusive of depreciation and bond interest.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.

REQUIREMENTS		Net Revenue Available for 1998/2000 Debt Service	REQUIREMENTS	
1992 Debt Service Total (3)	Coverage		1998/2000/2001/2002 Debt Service Total (3)	Coverage
N/A	N/A			
\$ 1,396,743	1.34			
4,015,111	0.79			
3,993,449	0.84			
3,329,084	1.24			
3,308,280	1.55			
3,306,450	3.23			
3,331,255	3.61	\$ 8,679,600	\$ 4,266,791	2.03
3,332,688	5.48	14,941,432	6,866,107	2.18
1,666,233	11.31	17,183,688	8,881,197	1.93

**Ratio of Bonded Debt Expenditures
to Local Revenues (1)
Last Ten Fiscal Years**

**City of Manchester, New Hampshire
Table XII**

Fiscal Year	Local Revenues	Bonded Debt Expenditures	Ratio of Bonded Debt Expenditures To Local Revenues
1992	\$ 116,651,434	\$ 9,893,001	8.48%
1994 (2)	138,527,744	17,505,727	12.64%
1995	121,695,317	15,501,374	12.74%
1996	128,162,993	15,290,065	11.93%
1997	134,776,108	16,872,450	12.52%
1998	138,476,400	16,164,151	11.67%
1999	149,831,039	19,733,680	13.17%
2000	89,221,685	13,522,285	
2000 (3)	<u>42,251,990</u>	<u>8,477,713</u>	
2000	131,473,675	21,999,998	16.73%
2001	91,157,501	13,873,698	
2001 (3)	<u>44,255,540</u>	<u>8,194,461</u>	
2001	135,413,041	22,068,159	16.30%
2002	93,450,877	14,596,362	
2002 (3)	<u>42,593,088</u>	<u>8,439,589</u>	
2002	136,043,965	23,035,951	16.93%

Notes

- (1) Includes the General Fund only.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

Fiscal Year	Population (1)	NH Per Capita Income (2)	School Enrollment (3)	Manchester Unemployment Rate (4)
1992	99,490	\$ 24,988	14,597	7.50%
1994	101,039	23,704	15,032	6.60%
1995	100,668	25,400	15,355	4.60%
1996	101,900	26,526	16,587	4.00%
1997	102,675	26,615	16,791	2.90%
1998	103,330	27,806	17,104	2.70%
1999	105,221	29,303	16,467	2.40%
2000	106,180	31,114	16,693	2.50%
2001	107,006	33,332	16,942	2.80%
2002	108,078	34,138	16,994	4.50%

Source

- (1) State of New Hampshire, Planning Department
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, estimated based on most recent data available.
- (3) School Department
- (4) State of New Hampshire, Economic and Labor Market Information Bureau

<u>Fiscal Year</u>	<u>New Commercial Construction Value</u>	<u>New Residential Construction Value</u>	<u>Total Construction Value (1)</u>	<u>Bank Deposits (2)</u>	<u>Airport Tonnage (3)</u>
1992	\$ 3,000,860	\$ 12,536,610	\$ 15,537,470	\$ 2,221,554	25,934
1994 (4)	7,628,500	12,482,470	20,110,970	8,415,277	68,889
1995	7,904,712	30,400,084	38,304,796	(5)	51,774
1996	32,708,609	31,213,466	63,922,075	(5)	59,736
1997	57,985,836	35,906,571	93,892,407	(5)	57,350
1998	51,086,703	26,496,083	77,582,786	(5)	65,513
1999	22,034,115	16,466,026	38,500,141	(5)	72,135
2000	21,514,398	20,446,608	41,961,006	(5)	83,227
2001	49,137,554	27,493,997	76,631,551	(5)	80,711
2002	23,541,058	20,321,036	43,862,094	(5)	93,570

Notes

(1) City of Manchester, Building Department

(2) Source: Sheshunoff Reports and State Banking Commissioner
1991 and 1992 are Manchester deposits only. 1994 represents state-wide amounts. Individual municipal breakdowns are not available at this time.

(3) City of Manchester, Airport Authority.

(4) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

(5) Unavailable

<u>Name of Business</u>	<u>Type of Business</u>	<u>Real Property Assessed Value</u>	<u>% of Total Assessed Value</u>
Manchester Mall Realty Trust	Retail Mall	\$ 83,500,000	2.20%
Public Service Co. of NH	Utility	70,582,096	1.86%
Energy North Natural Gas, Inc	Utility	40,011,700	1.05%
IPC Office Properties, LLC	Utility	22,342,000	0.59%
Manchester Hill Vistas, Inc	Office Condominiums	18,973,700	0.50%
May Center Associates Corp	Retail Store	16,600,000	0.44%
Cotter Company	Warehouse/Distributor	14,799,900	0.39%
BCIA New England Holdings	Office Buildings	14,764,300	0.39%
Portnoy, Barry M. Tee	Medical Insurance	14,665,000	0.39%
The Hitchcock Clinic	Healthcare Facility	<u>14,337,200</u>	<u>0.38%</u>
		<u>\$ 310,575,896</u>	<u>8.18%</u>

Source

City of Manchester, Board of Assessor

Governmental Expenditures Per Capita (1)
Last Ten Fiscal Years

Fiscal Year	Population	General Government	Public Safety	Health and Sanitation	Highway and Streets
1992	99,490	\$136	\$233	\$24	\$116
1994	(2) 101,039	156	233	24	136
1995	100,668	129	238	24	132
1996	101,900	138	244	23	142
1997	102,675	116	245	24	157
1998	103,330	111	262	25	160
1999	105,221	143	273	19	166
2000	106,180	167	280	22	174
2001	107,006	162	300	24	184
2002	108,078	170	320	25	186

Notes

(1) Includes the General Fund only.

(2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

City of Manchester, New Hampshire
Table XVI

Welfare	Education	Parks and Recreation	Debt Service	MSD	Total
\$13	\$609	\$26	\$99		\$1,256
12	626	25	116		1,328
11	646	11	154		1,345
11	696	11	150		1,415
10	679	11	164		1,406
15	759	11	156		1,499
9	760	23	188		1,581
11	29	26	207	\$ 1,095	2,011
13	20	27	206	1,085	2,021
20	21	28	137	1,189	2,096

Date of Incorporation	June 1846
Form of Government	Mayoral
Number of employees:	
City	1,463
School	2,523
Area in square miles	33.906
Number of registered voters	45,186
Total population	108,078
Total number of properties	31,254
Total taxable properties	29,924
Total tax-exempt properties	1,330
Manchester, New Hampshire facilities and services:	
Miles of streets	390
Number of street lights	8,779
Culture and recreation:	
Golf course	1
Ski area	1
Parks	73
Park acreage	1,224
Athletic fields, basketball and tennis courts	130
Indoor ice arenas	2
Fire Department:	
Number of stations	9
Number of fire personnel and officers	243
Number of fire/hazardous condition calls	4,533
Number of emergency medical service calls	8,986
Police Protection:	
Number of stations	5
Number of police personnel and officers	286
Number of motorized patrol units	36
Number of bike patrol units	18
Number of mounted patrol units	2
Total number of arrests	5,205
Total number of calls for service	99,783
Sewerage System:	
Miles of sanitary sewers	344
Sewage pumping stations	13
Number of service connections	23,389
Water System:	
Miles of water mains	472
Number of service connections	27,700
Number of fire hydrants	3,173
Daily average consumption in gallons	17,400,000
Education:	
Number of elementary schools	15
Number of secondary schools	8
Number of full time equivalent instructors K-12	1,295
Number of elementary school students	7,316
Number of secondary school students	9,678
Airport:	
Number of employees	62
Number of enplanements	1,644,008
Number of carriers	12